

Registered number: 03184332

SUEZ Recycling and Recovery Surrey Ltd

Annual report and financial statements

For the Year Ended 31 December 2018



SUEZ Recycling and Recovery Surrey Limited

Company Information

Directors	F Duval D Palmer-Jones J Scanlon
Company secretary	M H Thompson
Registered number	03184332
Registered office	SUEZ House Grenfell Road Maidenhead Berkshire SL6 1ES
Independent auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

SUEZ Recycling and Recovery Surrey Limited

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SUEZ Recycling and Recovery Surrey Limited

Strategic report For the Year Ended 31 December 2018

Business review

	2018	2017	
	£000	£000	Change
Turnover	65,107	78,058	- 17%
Operating profit	3,769	5,790	- 35%
Loss after tax	(19,242)	(282)	
Shareholder's (deficit)/funds	(7,311)	11,931	
Current assets as % of current liabilities	343%	698%	

The decrease in turnover compared to the prior year is due to a reduction in construction revenue as well as associated costs as the construction nears completion. During 2018 the construction of the Surrey Eco-Park continued. This includes a gasifier and AD plant which are to be constructed, operated and maintained under a PFI contract held with Surrey County Council. It is expected that the facility will be completed in 2019 at which point the company will start to operate the facility on behalf of the Council. An independent expert has been appointed to track and monitor the critical path to completion of the ECO Park, this indicates that the AD will be handed over in November 2019 and the gasifier in December 2019.

The Company continued to operate transfer stations and household waste recycling centres on behalf of Surrey County Council.

A loss after tax has been recognised in 2018 due to other losses in the year on the services concession financial asset recognised under IFRIC 12, due to further delays in the hand over of facilities.

A shareholders' deficit has been created in the year as a result of the loss recognised.

Impact of Brexit

The potential impact of Brexit has been considered and the directors are of the opinion that no significant impact is expected to be felt.

Principal risks and uncertainties

The SUEZ R&R UK Group has established a risk committee that evaluates the main risks facing the Group and the measures in place to manage those risks. The principal risks and uncertainties facing the Group are broadly grouped as: operational risks, competitive risks, legislative risks, health and safety risks and financial instrument risks.

Operational risks

The SUEZ R&R UK Group's operations involve some major public sector contracts, ranging from periods of 7 to 25 years or more, where default on the contract may result in substantial compensation payments to the client. Long-term contracts also expose the Group to the risk that the contract's revenue profile over the life of the contract may not be sufficient to compensate the Group for unforeseen cost increases, and hence losses may result. The Group has put in place rigorous tender approval procedures to ensure all risks are properly considered. The Group's management and review procedures are aimed at ensuring any problems are identified at an early stage and steps are taken to mitigate any losses arising.

The success of the Group's operations is dependent upon the recruitment and retention of good quality staff. The Group's strategy seeks to make the SUEZ R&R UK Group the preferred employer in the waste management sector through its employment policies.

SUEZ Recycling and Recovery Surrey Limited

Strategic report (continued) For the Year Ended 31 December 2018

Competitive risks

Part of the SUEZ R&R UK Group's business involves contracts with local authorities which are subject to periodic competitive tender. Renewal of these contracts is uncertain and based on financial and performance criteria. The remaining business relies upon short-term contracts and non-contractual business from industrial and commercial customers, which is subject to normal price competition in the open market.

Legislative risks

The waste management business is subject to strict legislation and regulation. These standards are subject to continuous revision. Compliance with new standards can impose additional costs on the Group, and failure to comply could result in heavy penalties. The Group's management systems aim to ensure compliance with all relevant regulations.

Health and Safety risks

The SUEZ R&R UK Group acknowledges that its employees working within the waste management industry face significant potential hazards in their everyday work. The Group makes every effort to ensure that its Health and Safety policies are of the highest standard, are fit for purpose and are strictly adhered to on a daily basis.

Financial instrument risks.

The Group has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives.

Use of derivatives

On certain major contracts, the SUEZ R&R UK Group uses interest rate swaps in respect of the related funding to reduce exposure to interest rate movements.

Exposure to price, credit, liquidity and cash flow risk

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The Group's major joint venture and associated investments, which the Group does not intend to sell in the short-term, are held at net asset value and are therefore not exposed to price risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Cash flow risk is the risk of exposure to variability of cash flows relating to a recognised asset or liability such as future interest payments on a variable rate debt. The Group produces long-term cash forecasts and monitors cash flows against these on a daily basis to ensure all financial obligations may be met as they fall due. Group funding requirements are periodically agreed with the SUEZ Group.

This report was approved by the board on 8/11/19

and signed on its behalf.

F Duval
Director



SUEZ Recycling and Recovery Surrey Limited

**Directors' report
For the Year Ended 31 December 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The company has a 25 year contract, signed in 1999, with Surrey County Council to construct, finance and operate waste disposal sites in the county. The company operates as part of the SUEZ Recycling and Recovery Holdings UK Limited Group ("SUEZ R&R UK Group"), the United Kingdom recycling and recovery business of SUEZ SA.

Results and dividends

The loss for the year, after taxation, amounted to £19,242,000 (2017 - loss £282,000).

The directors do not recommend the payment of a dividend (2017 - £Nil).

Directors

The directors who served during the year were:

F Duval
D Palmer-Jones
J Scanlon

No director who held office on 31 December 2018 had an interest in the company's shares either during the financial year or at 31 December 2018.

Directors' indemnity

The company has granted indemnity to one or more of its directors against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Future developments

The completion of the Eco-Park is expected before the end of September at which point the company will start to operate the facility on behalf of Surrey County Council. The directors expect that the underlying profit of the operating activities will continue for the foreseeable future.

SUEZ Recycling and Recovery Surrey Limited

Directors' report (continued) For the Year Ended 31 December 2018

Environmental matters

Our purpose is to protect our environment by putting waste to good use.

A crucial element of this is ensuring that the vision of the circular economy - where the waste cycle can work with the economic cycle to return waste as a secondary resource back into production and consumption - becomes a reality and value is extracted from waste.

In 2018 the SUEZ R&R UK Group:

- Recycled and recovered 4,101,546 tonnes of the material we handled;
- Generated 1,601,739.02 megawatt hours of electricity from our landfill gas and energy-from-waste facilities;
- 70,841 tonnes of compost produced;
- A 1% increase in Greenhouse Gas (GHG) emissions from vehicles on the previous year;
- Electricity produced increased by 14% from non-hazardous waste incineration;
- There has been a 26% decrease of waste disposed in non-hazardous waste landfills (includes municipal, I&C, Sludge and other inputs, excludes inert);
- There has been a 2% increase in the amount of fuel used for collection vehicles;
- Waste prepared for Energy Recovery as Solid Recovered Fuels (SRF) produced from wood has decreased by 7%;

Going Concern

The company's going concern is intrinsically linked to the performance, risks and going concern of the SUEZ Group. The SUEZ group, along with its ultimate parent company SUEZ SA, has considerable financial resources together with long term contracts with a number of customers across different geographic areas and within different sectors of the recycling industry. As a consequence, the directors believe that the SUEZ group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Having made enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The company's ultimate UK parent company, SUEZ UK Group Holdings Limited, has confirmed its intention and ability to provide such financial support as may be necessary to allow the company to continue to operate as a going concern and to meet all of its obligations in full for the next twelve months from the date of approval of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Matters covered in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic report. These matters relate to financial instrument risk.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

SUEZ Recycling and Recovery Surrey Limited

Directors' report (continued)
For the Year Ended 31 December 2018

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 8/11/19 and signed on its behalf.



F Duval
Director

SUEZ Recycling and Recovery Surrey Limited

Independent auditor's report to the member of SUEZ Recycling and Recovery Surrey Limited

Opinion

We have audited the financial statements of SUEZ Recycling and Recovery Surrey Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statements of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. 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'.

In our opinion the financial statements:

- 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.

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 United Kingdom, including the Financial Reporting Council'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.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 1.

The terms on which the United Kingdom may withdraw from the European Union, currently due to occur on 31 January 2020, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the carrying value of the service concession financial asset and the impairment charge recognised in the year. This is due to a material uncertainty over whether the construction activity under the service concession arrangement will be completed within the current forecasts. No further impairment has been recognised at the current time for any further delay in the construction timetable.

SUEZ Recycling and Recovery Surrey Limited

**Independent auditor's report to the member of SUEZ Recycling and Recovery Surrey Limited
(continued)**

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 this regard.

Opinion 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.

Matters on which we are required to report by exception

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 material misstatements in the Strategic report or the Directors' report.

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

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

SUEZ Recycling and Recovery Surrey Limited

**Independent auditor's report to the member of SUEZ Recycling and Recovery Surrey Limited
(continued)**

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

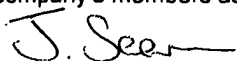
Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit 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.



Jonathan Seaman (Senior statutory auditor)

for and on behalf of
Mazars LLP

Chartered Accountants and Registered Auditor

Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 8 November 2019

SUEZ Recycling and Recovery Surrey Limited

**Statement of comprehensive income
For the Year Ended 31 December 2018**

	Note	2018 £000	2017 £000
Turnover	4	65,107	78,058
Cost of sales		(51,475)	(65,618)
Gross profit		13,632	12,440
Administrative expenses		(9,863)	(6,650)
Operating profit	5	3,769	5,790
Interest receivable and similar income	8	7,419	5,671
Interest payable and expenses	9	(9,401)	(7,456)
Other losses	10	(23,181)	(4,589)
Loss before tax		(21,394)	(584)
Tax on loss	11	2,152	302
Loss for the financial year		(19,242)	(282)
Total comprehensive income for the year		(19,242)	(282)

The notes on pages 12 to 30 form part of these financial statements.

All profit and comprehensive income is attributable to continuing activities.

SUEZ Recycling and Recovery Surrey Limited
Registered number: 03184332

Statement of financial position
As at 31 December 2018

	Note	2018 £000	2017 £000
Current assets			
Stocks	12	17	13
Debtors: amounts falling due after more than one year	13	73,027	88,030
Debtors: amounts falling due within one year	13	67,724	66,119
Cash at bank and in hand	14	2	2
		<u>140,770</u>	<u>154,164</u>
Creditors: amounts falling due within one year	15	(41,050)	(22,099)
Net current assets		99,720	132,065
Creditors: amounts falling due after more than one year	16	(102,576)	(114,877)
		<u>(2,856)</u>	<u>17,188</u>
Provisions for liabilities			
Deferred taxation	18	(3,002)	(3,968)
Other provisions	19	(1,453)	(1,289)
		<u>(4,455)</u>	<u>(5,257)</u>
Net (liabilities)/assets		(7,311)	11,931
Capital and reserves			
Called up share capital	20	-	-
Profit and loss account	21	(7,311)	11,931
Shareholder's (deficit)/funds - equity		(7,311)	11,931

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

8/11/18


F Duval
 Director

SUEZ Recycling and Recovery Surrey Limited

**Statement of changes in equity
For the Year Ended 31 December 2018**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	-	11,931	11,931
Comprehensive income for the year			
Loss for the year	-	(19,242)	(19,242)
Total comprehensive income for the year	-	(19,242)	(19,242)
Total transactions with owners	-	-	-
At 31 December 2018	-	(7,311)	(7,311)

The notes on pages 12 to 30 form part of these financial statements.

**Statement of changes in equity
For the Year Ended 31 December 2017**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2017	-	12,213	12,213
Comprehensive income for the year			
Loss for the year	-	(282)	(282)
Total comprehensive income for the year	-	(282)	(282)
Total transactions with owners	-	-	-
At 31 December 2017	-	11,931	11,931

The notes on pages 12 to 30 form part of these financial statements.

SUEZ Recycling and Recovery Surrey Limited

Notes to the financial statements For the Year Ended 31 December 2018

1. General information

SUEZ Recycling and Recovery Surrey Limited is a private limited company, limited by shares, incorporated, domiciled and registered in England & Wales, United Kingdom. These financial statements cover the individual entity. The address of its registered office and principal place of business is SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES. Registered number is 03184332.

The Company's intermediate parent company is SUEZ Recycling and Recovery Holdings UK Limited, incorporated and registered in the United Kingdom, which owns 100% of the Company ordinary share capital. The ultimate parent company is SUEZ SA, a company incorporated and registered in France.

The smallest Group in which the Company is incorporated into is SUEZ Recycling and Recovery Holdings UK Limited and the largest is SUEZ SA. The consolidated financial statements of SUEZ SA may be obtained from Tour CB21, 16 Place de L'Iris, 92040 Paris La Defense Cedex, France.

The financial statements have been presented in Pounds Sterling as this is the functional currency of the Company and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The recognition, measurement and disclosure requirements of International Financial Reporting Standard as adopted by the EU (EU adopted IFRS) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium sized Companies and Groups Regulations 2008/410 ('Regulations').

These financial statements have been prepared under the historical costs convention.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures.
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- the requirements of IAS 7 Statement of Cash Flows.
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures.
- 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.
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of paragraphs 6 to 21 of IFRS 1 First-time adoption of International Financial Reporting.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The company has **NOT** taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- 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
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

2. Accounting policies (continued)**2.3 Going concern**

The Company's going concern is intrinsically linked to the performance, risks and going concern of the SUEZ UK R&R Group. The SUEZ UK R&R Group, along with its ultimate parent company SUEZ SA, has considerable financial resources together with long term contracts with a number of customers across different geographic areas and within different sectors of the recycling industry. As a consequence, the directors believe that the SUEZ R&R UK Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Having made enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2.4 Revenue

Revenue arising from the handling and disposal of waste is recognised on receipt of the waste by the Company. Service concession revenue is measured by a contractual fixed and variable fee. Differences between the amounts recognised in the income statement and amount invoiced at the period end are shown in the statement of financial position as a contract asset or contract liability.

Revenue from the sale of recyclate materials is recognised, based on contractually agreed prices, when the risks and rewards have passed to the buyer.

Construction Revenue is recognised as a proportion of the construction cost to date compared to the total expected construction cost plus profit margin.

2.5 Stock

Stocks relate to spare parts and fuel and are valued at cost after making due allowance for obsolete and slow moving items. Cost is based on the cost of purchase on a first in, first out basis.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Notes to the financial statements
For the Year Ended 31 December 2018**

2. Accounting policies (continued)

2.8 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

2.9 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

2. Accounting policies (continued)**2.10 Finance costs**

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. Contributions are made by the company and the employees to a separately administered fund.

The company participates in SUEZ Recycling and Recovery UK Group defined benefit pension schemes and the pension charge is based on full actuarial valuations dated between 1 April 2015 and 6 April 2016. These are schemes under common control, the assets and liabilities of which are held separately from the Group. The company is unable to identify its share of the underlying assets and liabilities of the schemes and accordingly accounts for the schemes as if they were defined contribution schemes.

**Notes to the financial statements
For the Year Ended 31 December 2018**

2. Accounting policies (continued)

2.12 Service concession financial asset

In accordance with IFRIC 12 and the various provisions of IFRS, the Company has determined the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts.

Results of all service concessions which fall within the scope of IFRIC12 conform to the following policies depending on the rights to consideration under the service concessions:

Service concessions treated as financial assets

The Company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the grantor for the construction or upgrade services provided.

Revenue is recognised by allocating a proportion of total cash receivable to construction income and service income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable.

During the operational stage, cash received in respect of the service concessions is allocated to service and maintenance revenue based on its fair value, with the remainder being allocated between capital repayment and interest income using the effective interest method.

Financial Assets are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method less any impairment losses.

The Company has entered into a contract to provide waste management services on behalf of Surrey County Council. The Company is contractually obliged to design, build and operate waste facilities, including household waste recycling centres, materials recycling centres, transfer stations and an Eco-Park on behalf of Surrey County Council, and has the right to use these facilities to provide waste management services. The grantor (Surrey County Council) has agreed to provide a minimum guaranteed tonnage of waste to the facility and will pay a fixed price per tonne for this level of waste, with any further tonnage being subject to a different rate. The Company in return, will remove and treat the waste and is obliged to maintain the facilities under lifecycle clauses within the contract.

The Company has the right to both accept and process third party waste, and to generate electricity revenues at the waste facilities.

There are provisions in the contract for termination (and related compensation) in the event of default or voluntary termination by the operator or grantor. There is provision in the contract for an extension of the contract period. The contract specifies that the waste management facilities are to be returned to Surrey County Council at the end of the contract in an appropriate condition.

The service arrangement has been classified as a financial asset under IFRIC 12 due to the highly guaranteed nature of the expected revenues from the contract, which are expected to cover the fair value of the construction services.

2.13 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

**Notes to the financial statements
For the Year Ended 31 December 2018**

2. Accounting policies (continued)

2.14 Provisions for liabilities

Provisions for environmental and landfill costs include provisions associated with the closure and post-closure of landfill sites. The company estimates its total future requirements for closure costs and for post-closure monitoring and maintenance of the site after the anticipated closure.

Closure costs:

Provision is made for final capping and site inspection costs. These costs are incurred during the operating life of the site and the company provides for these costs as the permitted airspace is used.

Post closure costs:

Provision is made for inspection, ground water monitoring, leachate management, methane gas control and recovery, and the operation and maintenance costs to be incurred during the period after the site closes.

Post-closure provisions have been shown at net present value. The current cost estimated has been inflated at 2.34% (2017 - 2.90%) and discounted by 6.33% (2017 - 5.58%). The unwinding of the discount element is shown in the financial statements as a financial item.

Future revenues from the generation of electricity from landfill gas during the post-closure period, where contracts are in place for its sale, are deducted from the provision balances and are discounted in line with the post-closure provision.

The company provides for both closure and post-closure costs as the permitted airspace is used.

2.15 IFRSs adopted in these financial statements

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements for the year ended 31 March 2019:

- IFRS 9 'Financial Instruments' (mandatory from period beginning on or after 1 January 2018). The company has no past record of recognising impairment losses on trade receivables. Based on all information available (including current and forward-looking information), the Company envisages a nil probability of any default occurring during the next 12 months. Therefore, there is no impact from IFRS 9.
- IFRS 15 'Revenue from Contracts with Customers' (mandatory from period beginning on or after 1 January 2018). The company's recognition of revenue from Contracts with Customers has not been changed from the adoption of IFRS15.

**Notes to the financial statements
For the Year Ended 31 December 2018**

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the financial statements
For the Year Ended 31 December 2018

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Due to uncertainties inherent in the estimation process, the Company regularly revises its estimates in light of currently available information. Final outcomes could differ from those estimates.

The key estimates used by the Company in preparing the Financial Statements relate mainly to:

- **Taxation** – management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.
- **Landfill provisions** – The post closure costs associated with environmental control after landfill sites close are uncertain. The key factors are the volumes of leachate requiring treatment, the amount of landfill gas produced by the site and the amounts of electricity income this can generate, the speed at which the waste decomposes and other requirements set out by the environmental regulator. The provision requirement is reviewed and updated, if required, on an annual basis. The provisions are recognised in the financial statements at net present value using a discounted rate estimated by management to reflect the time value of money. At 31 December 2018 the company's landfill provisions were £1.5m (2017: £1.3m) (Note 19).
- **Service concession arrangements** – Consideration from contract with public sector entities for waste management service concessions is treated either as contract receivables or an intangible asset or a mixture of both based on the right to receive cash from the arrangement. Management have used judgement to determine the fair value of the services provided when splitting the contractual receivables between the construction of assets, the operating of the facilities and the provision of financing. Further details of these arrangements found in note 2.12.
- The company has made judgements and estimates in relation to the carrying value of the service concession financial asset (note 13 - £75,392,000) and the impairment charge recognised in the year (note 10 - £23,181,000). The company has engaged an independent expert to assess the likely timetable for construction activities to be completed and therefore the commencement of the unitary charge from the authority. This forecast, and an appropriate contingency, has formed the basis of the impairment calculation which has resulted in the impairment charge being recognised. If this forecast is not met then the Company has estimated that the impairment charge would increase by £470,000 per week.

As well as relying on estimates, the Company management also makes judgments to define the appropriate accounting treatment to apply to certain activities and transactions, when the effective IFRS standards and interpretations do not specifically deal with the related accounting issue. This particularly applies in relation to the recognition of concession arrangements.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Disposal of waste	59,871	56,697
Construction revenue	3,482	20,521
Sale of recyclates	1,754	840
	<u>65,107</u>	<u>78,058</u>

All turnover arose within the United Kingdom.

If the services rendered by the company exceed the payment, a contract asset is recognised, if the payments exceed the services rendered a contract liability is recognised.

5. Operating profit

The operating profit is stated after charging:

	2018 £000	2017 £000
Operating lease rentals - plant & machinery	281	515
Cost of stocks recognised as an expense	371	364

6. Auditors' remuneration

For the year ended 31 December 2018 and the prior year, auditor's remuneration was borne by a fellow group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

7. Employees

Staff costs were as follows:

	2018	2017
	£000	£000
Wages and salaries	5,324	5,163
Social security costs	549	522
Pension costs	281	226
	6,154	5,911

The average monthly number of employees, including the directors, during the year was as follows:

	2018	2017
	No.	No.
Operational	166	161
Administrative and management	25	30
	191	191

During the year, no director received any emoluments (2017 - £NIL)

All employees are employed by SUEZ Recycling and Recovery UK Ltd and paid by SUEZ Recycling and Recovery Holdings UK Limited. Costs are then recharged to the company.

8. Interest receivable

	2018	2017
	£000	£000
Interest receivable from group companies	416	134
Interest on service concession financial asset	7,003	5,537
	7,419	5,671

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

9. Interest payable and similar expenses

	2018 £000	2017 £000
Discount on provisions	68	73
Loans from group undertakings	7,480	7,036
Other interest payable	1,853	347
	<u>9,401</u>	<u>7,456</u>

10. Other losses

	2018 £000	2017 £000
Other losses on service concession financial assets measured at amortised cost	(23,181)	(4,589)
	<u>(23,181)</u>	<u>(4,589)</u>

Other losses on service concession financial assets measured at amortised cost losses due to changes in timings and amounts of expected cashflows due to delays in the construction of service concession financial assets.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

11. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on losses for the year	(1,185)	(1,966)
Adjustments in respect of previous periods	(1)	(127)
	<u>(1,186)</u>	<u>(2,093)</u>
Total current tax	<u>(1,186)</u>	<u>(2,093)</u>
Deferred tax		
Origination and reversal of timing differences	(958)	1,616
Adjustments in respect of prior periods	(8)	175
Total deferred tax	<u>(966)</u>	<u>1,791</u>
Taxation on loss on ordinary activities	<u>(2,152)</u>	<u>(302)</u>

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss on ordinary activities before tax	<u>(21,394)</u>	<u>(584)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(4,065)	(112)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,764	(25)
Adjustments to tax charge in respect of prior periods	(9)	48
Change in taxation rate	158	(213)
Total tax credit for the year	<u>(2,152)</u>	<u>(302)</u>

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

11. Taxation (continued)**Factors that may affect future tax charges**

Reductions to the UK corporation tax rate have been announced that will have an effect on future tax charges. The change in the corporation tax rate to 17% from 1 April 2020 had been enacted at the balance sheet date and the deferred tax balance has been adjusted to reflect this change.

12. Stocks

	2018 £000	2017 £000
Raw materials and consumables	17	13
	<u>17</u>	<u>13</u>

In the year ended 31 December 2018 £371,000 (2017: £318,000) was the amount of inventory recognised as an expense. Enil has been written down in the year (2017: £nil).

The difference between purchase price of stocks and their replacement cost is not material.

13. Debtors

	2018 £000	2017 £000
Due after more than one year		
Service concession financial asset	73,027	88,030
	<u>73,027</u>	<u>88,030</u>
Due within one year		
Amounts owed by group undertakings	57,275	54,900
Other debtors	3,759	6,468
Prepayments	109	86
Service concession financial asset	2,365	269
Corporation tax recoverable	1,185	2,093
Contract assets	3,031	2,303
	<u>67,724</u>	<u>66,119</u>

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

14. Cash and cash equivalents

	2018	2017
	£000	£000
Cash at bank and in hand	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

15. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Loans from group undertakings	20,937	10,728
Contract liability	406	43
Accruals	19,707	11,328
	<u>41,050</u>	<u>22,099</u>

16. Creditors: Amounts falling due after more than one year

	2018	2017
	£000	£000
Loans from group undertakings	102,576	114,877
	<u>102,576</u>	<u>114,877</u>

Unsecured Loans

Loans owed to group undertakings relate to loans which accrue interest of 5.91% and 11%.

These amount are repayable over 8 years starting on 31st December 2017.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

17. Financial instruments

	2018 £000	2017 £000
Financial assets		
Service concession financial assets	75,392	88,300
Financial assets that are debt instruments measured at amortised cost	64,067	53,622
	139,459	141,922
Financial liabilities		
Financial liabilities measured at amortised cost	(143,220)	(112,114)

Financial assets measured at amortised cost comprises of amounts owed by group undertakings, contract assets and other debtors.

Financial liabilities measured at amortised cost comprises loans to group undertakings, accruals and other creditors.

18. Deferred taxation

	2018 £000	2017 £000
At beginning of year	(3,968)	(2,178)
Charged to the profit or loss	966	(1,790)
At end of year	(3,002)	(3,968)

The provision for deferred taxation is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	(3,035)	(4,004)
Other timing differences	33	36
	(3,002)	(3,968)

All of the deferred tax has been recognised through the income statement.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

19. Provisions

	Environment al and landfill costs £000
At 1 January 2018	1,289
Charged to profit or loss	299
Change in assumptions	(133)
Unwinding of discount	68
Utilised in year	(70)
At 31 December 2018	1,453

Environmental and landfill costs

The provision for environmental and landfill costs has been calculated in accordance with the accounting policy set out in note 2.14. The closure costs will be incurred prior to and during the closure of the company's landfill sites, whilst the post closure provision will be utilised over the 60 years thereafter.

20. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1 (2017 - 1) ordinary share of £1.00	1	1

This share carries no rights to fixed income or has any preferences or restrictions attached on them.

21. Reserves**Profit & loss account**

Profit & Loss account is distributable reserves made up of retained earnings.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £279,000 (2017 - £209,000).

The company participates in SUEZ R&R UK Group defined benefit pension schemes and the pension charge is based on full actuarial valuations dated between 1 April 2015 and 6 April 2016. These are schemes under common control, the assets and liabilities of which are held separately from the Group.

There is no contractual arrangement or policy for charging the net benefit costs between the entities who participate in the scheme. The company has therefore recorded the contributions paid to the scheme as a charge to the income statement. Pension contributions are determined with the advice of independent qualified actuaries. The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme.

The assets in the Group schemes are measured at their fair value at the balance sheet date and overall expected rates of return are established by the directors following discussions with the Group's actuary. The liabilities in the scheme are measured on an actuarial basis using the projected unit method. The net liability of the UK schemes, at 31st December 2018 is £10,595,000 (2017: £13,640,000).

The pension cost charge represents contributions payable by the company to the funds and amounted to £2,000 (2017 - £17,000). It is not anticipated that future pension cost charges in SUEZ Recycling and Recovery Surrey Limited will increase significantly because of the net liability in the Group pension schemes. The total amount expected to be contributed by the SUEZ Recycling and Recovery Holdings UK Limited Group to the schemes in 2018 is £2,265,000 (2017 contributions - £2,769,000).

23. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	30	349
Later than 1 year and not later than 5 years	27	-
	<u>57</u>	<u>349</u>

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2018**

24. Controlling party

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is SUEZ SA, a company incorporated in France. The parent undertaking of the largest Group, which includes the company and for which Group accounts are prepared, is SUEZ SA, a company incorporated in France.

The parent undertaking of the smallest such Group is SUEZ Recycling and Recovery Holdings UK Limited, a company incorporated in England & Wales.

Copies of the Group financial statements of SUEZ SA are available from Tour CB21, 16 Place de L'Iris, 92040 Paris La defense Cedex, France. Copies of the Group financial statements of SUEZ Recycling and Recovery Holdings UK Limited are available from SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.