
VEOLIA ES (UK) LIMITED

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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VEOLIA ES (UK) LIMITED

COMPANY INFORMATION

| | |
|----------------------------|---|
| DIRECTORS | E Brachlianoff R Hunt D Gerrard C Gough M Ulrich G Graveson T Spaul P Gilroy |
| COMPANY SECRETARY | C Gough |
| REGISTERED NUMBER | 2481991 |
| REGISTERED OFFICE | 210 Pentonville Road London N1 9JY |
| INDEPENDENT AUDITOR | Ernst & Young LLP No. 1 Colmore Square Birmingham B4 6HQ |

VEOLIA ES (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their Strategic Report for the year ended 31 December 2014.

INTRODUCTION

The principal activity of Veolia ES (UK) Limited ("the Company") is the provision of waste management services to the public and private sectors, including waste collection, recycling and disposal.

The Company's aim is to help its customers to reduce, recycle and manage waste safely and efficiently by offering sustainable waste management solutions that minimise their impact on the environment, by turning their waste into a resource.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The waste industry continues to operate in a challenging environment, facing many challenges:

1. The overall UK economy is now recovering, but the environmental services sector benefits from any improvement late in the cycle – demand has to pick up, goods and services need to be consumed by others before the Company's sector is able to identify any increase in demand.
2. The Company has a strong relationship with the public sector and whilst the economy is generally improving, the drive for further "austerity" savings across the public sector continues to challenge the Company's profitability.
3. New legislation continues to increase compliance costs – significant examples include environmental legislation, commercial haulage regulations and the management of health and safety issues.
4. Coupled with this increase in legislation, the Company's customer base is becoming more concerned about the handling of their waste – previously, customers were happy to just sub-contract their waste management and showed little interest in how their waste was processed; now, many customers require bespoke reporting of what has happened to their waste flows. Whilst these demands are rightly welcomed, they do place greater demands on the Company's IT capabilities.

During the year, the Company has continued to implement many new internal procedures to mitigate and manage the effects of the above challenges. Following on from last year's management team restructure, the Company is looking for greater synergies from other Veolia divisions operating in the Energy and Water sectors in the UK and the Company continues to develop the efficiency of its shared service centre "back-office" support functions. The Company is also running a "Dragon's Den" Innovation Forum initiative where employees are actively encouraged to suggest areas where the Company should invest in pilots to test whether innovation would solve a particular waste-related issue.

The Company is also committed to investing in trialling new technologies to deal with various types of waste – making products out of others' waste is key to the company's view of a sustainable 'circular' economy and this is one way the Company is achieving its customers' drive to divert waste flows from landfill. One visible example of this is the award winning Pro-Grow range, which initially offered a soil conditioner product and now includes bark chippings, woodchip mulch, and a lawn conditioner available in a range of sizes from 10 litres to 1 cubic metre bulk bags. A further example in 2015 is each sales agent now uses a tablet computer to complete sales transactions in the Commercial sector, allowing us to implement electronic contracts which use no paper and are more securely stored and controlled than the previous paper-based contracts.

VEOLIA ES (UK) LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2014

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS (Continued)

The directors consider the key performance indicators of Veolia ES (UK) Limited to be revenue and operating profit as financial indicators of performance, and Lost Time Incidents ("LTI") for operational performance. The Company's performance can be summarised as:

1. Revenue from continuing operations for the year ended 31 December 2014 was £832,617,000 (2013: £800,419,000) which represents a 4.0% increase. This increase was driven by the continuing economic confidence and the Company's success in launching its various new products; and was despite the Company's exposure to public sector customers affected by austerity.
2. The operating profit for the year was £12,620,000 (2013: £10,158,000) an improvement of 24.2%. This improvement was driven by the increased revenues and a falling fuel price helping to lower the costs of running the Company's considerable fleet of refuse collection vehicles and other vehicles.
3. The Company's LTI frequency rate fell from 3.92 incidents per million hours worked in 2013 to 3.22 incidents per million hours worked in 2014. This fall also impacted on the severity rate with 130 days lost per million hours worked in 2013 falling to 110 days lost per million hours worked in 2014. Whilst this was a pleasing reduction, the company continues to strive to reduce these levels further.

The tax charge for the year was £3,562,000 (2013: £4,506,000) an effective tax rate of 44.5% (2013: 47.4%) and a reconciliation of the current tax charge to the standard rate of corporation tax is set out in note 9 to these financial statements.

At 31 December 2014, the net assets of the Company were £94,219,000 (2013: £88,214,000 as restated) with the increase due to the profit retained in the year. The company paid no dividend in the year (2013: £200,000,000).

The directors continue to seek further opportunities for investment and expansion.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities create risk factors that are both external and internal to the Company. These risks include but are not limited to financial risks, environmental legislation, health and safety issues, business continuity and the actions of customers and competitors.

Financial risk management policies

It is the Company's objective to manage its financial risks so as to minimise the adverse effects of fluctuation in the financial markets on the Company's profits and cash flows. The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Company has limited exposure to foreign currency risk as materially all sales and most purchases are procured in the UK. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The company borrows at floating rates of interest with the finance generally being provided from within the Veolia Environnement S.A. Group. Any loans attracting interest are priced according to a GBP index, usually the rate associated with LIBOR or SONIA 3 months.

Liquidity risk

The company is a party to a group cash-pooling arrangement which allows overdrafts and current account surpluses to be netted off overnight with each Company's respective balance being returned the following morning. The Company monitors the balances of other parties to the cash pooling arrangement to ensure the facility stays in a net surplus position. Cash forecasts are undertaken regularly to ensure payment profiles can be honoured in full at the appropriate date.

Foreign currency risk

As noted above, the Company has limited exposure to foreign currency risk as all of its trade and most of its expenses are incurred in Sterling.

VEOLIA ES (UK) LIMITED

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Environmental legislation

The Company takes compliance with environmental legislation seriously and there is an open relationship with all regulatory bodies including the various Environment Agency bodies across the UK. The Company has its own Environmental Compliance officer and has a wide range of policies covering Environmental checklists, greenhouse gas tracking, effluent flows, and all aspects relating to environmental impact assessments.

Health and Safety

As noted above, Health and Safety is one of the Company's key performance indicators, and, like the Environmental risk above, the Company has an appointed officer to monitor and oversee the performance of this area. All staff are encouraged to report "near misses" to ensure near misses today don't become LTI incidents of the future.

Business continuity

Each business unit is required to maintain a Business Continuity plan so should the unexpected happen, there is a predetermined plan in place to allow the business to recover and to continue servicing our customers with as little external impact as possible. These plans include sharing of site infrastructure, the use of external suppliers who specialise in disaster recovery scenarios and leveraging group relationships.

Customers and competitors

The Company is not reliant on any particular customer with no customer generating more than 10% of the Company's revenues. "Customers" forms one part of the Company's Values and the Company is investing heavily in monitoring, managing and maintaining customer satisfaction. The Company has also invested heavily in Innovation (as noted above) to maintain competitive advantage over its competitors.

The Company has implemented risk controls and loss mitigation plans to manage exposure to these risks.

This report was approved by the board on 29 July 2015 and signed on its behalf.

D Gerrard
Director



VEOLIA ES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £4,447,000 (2013 - £4,997,000). The company did not issue any dividends during the year (2013: £200,000,000).

DIRECTORS

The directors who served during the year and up to the date of this report were:

E Brachlianoff
R Hunt
D Gerrard
C Gough
M Ulrich
O Bret (resigned 30 June 2014)
G Graveson (appointed 7 January 2014)
T Spaul (appointed 25 April 2014)
P Gilroy (appointed 23 July 2014)

Veolia Environnement SA, the Company's ultimate parent company, maintains insurance for the directors of Veolia ES (UK) Limited in respect of their duties as directors. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

GOING CONCERN

The Company offers its services to many diverse types of customers including those in the municipal, commercial and industrial sectors. The Company does not have an over reliance to any one of these sectors or to any individual customer. Revenues in the municipal area are generally subject to 7-10 year contracts with industrial and commercial revenues subject to 2-5 year contracts.

The Company's cost base is considered to be mainly fixed, with the major cost elements being salaries, transport and the servicing of debt. The Company's headcount remains relatively constant except when the Company wins a contract to provide waste collection services to a municipal body and the pre-existing staff are transferred to the Company under TUPE arrangements. These costs will be more than matched by the increase in revenues generated by the new contract. Transport costs are mainly fixed as most vehicles are leased, but the cost of fuel introduces some risk to earnings, which the Company tries to mitigate with the use of fuel price escalators in its long term contracts.

The Company's balance sheet is robust with reserves of £19,219,000 (2013: £13,214,000 as restated), but, as the Company at year end reported net current liabilities of £24,634,000 (2013: £22,654,000 as restated), the directors of the Company's immediate parent company, Veolia Environmental Services (UK) Plc, have provided the Company with confirmation of their intent to provide financial support to the Company for the coming year.

The Company's forecasts and budgets for 2015 and beyond identify that the Company is expected to remain profitable and to be cash generative. These budgets and forecasts take into account future expected capital expenditure and capital repayments. Any significant contract win could impact these forecasts, but this impact would be expected to be beneficial.

Given the aforementioned strength and quality of earnings, the strength of the balance sheet and the directors' opinions of the Company's prospects, together with confirmation of group financial support should it be needed, the directors have concluded that it is appropriate that these financial statements are prepared on the going concern basis.

VEOLIA ES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

PRIOR YEAR ADJUSTMENT

During 2014, a review of historical transactions affecting the company's inter-company balances identified that a one-off employer contribution of £10,064,000 to one of the Veolia UK group's pension funds had been correctly accounted for in the paying company's accounts, but a corresponding inter-company liability was not recognised in the financial statements of Veolia ES (UK) Limited. As Veolia ES (UK) Limited accounts for all pension funds in the Veolia Waste group in the UK, this liability should have been recognised at the time the pension was introduced on to the balance sheet of the company. The corresponding entry should have been made through the Statement of Total Recognised Gains and Losses, and so a prior year adjustment has been made, recognising the inter-company creditor and charging retained profit and loss reserves.

This transaction has the effect of increasing creditors, increasing net current liabilities, reducing net assets, reducing retained profit and loss account and reducing shareholders' funds by £10,064,000.

FUTURE DEVELOPMENTS

The directors remain confident of the ability of the Company to continue to meet its many customers' demands. Competition is expected to remain tough and austerity-driven cost controls are expected to continue beyond the General Election in 2015. The directors consider the Company, along with other members of the Veolia group in the UK, is well placed in all aspects of the environmental and waste management industry.

FINANCIAL INSTRUMENTS

The Company has limited exposure to loans and overdrafts and has limited exposure to foreign exchange as all of its trade and most of its expenses are incurred in Sterling. The Company does face the risk of financial loss through credit risk: the Company's 70,000-strong customer base encompasses blue-chip quoted multinationals, municipal bodies and SMEs. To mitigate any significant losses arising from the non-payment of the Company's invoices, a credit policy covering credit account opening, account maintenance and account closure is rigorously applied.

In 2014, the Company entered into a Debt Factoring policy whereby certain outstanding debtor balances were sold to a financial institution for immediate value.

The Company also enters various foreign currency hedging arrangements with a group company on behalf of various related parties, mainly in the PFI sector whilst the assets of those companies are being constructed. The risks and benefits of these contracts are taken by the respective related parties and these transactions do not impact the Company's results.

EMPLOYEES

During the year the Company continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the Company's trading position and of any significant organisational changes.

It is the policy of the Company to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Company as well as generally through training and career development.

VEOLIA ES (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company continues to investigate new revenue streams and it continues to invest in managing waste in the circular economy - waste is now seen as a resource and Veolia globally is developing many innovative ways to reuse rather than to dispose of relevant waste streams. The desire to see diversion from landfill and increasing global price pressures for virgin raw materials will continue to drive the Company's efforts in this area.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.



D Gerrard
Director

Date: 29 July 2015

VEOLIA ES (UK) LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VEOLIA ES (UK) LIMITED

We have audited the financial statements of Veolia ES (UK) Limited for the year ended 31 December 2014, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VEOLIA ES (UK) LIMITED

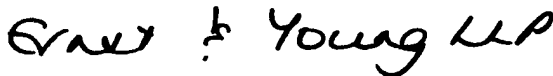
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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.

Susan Broughton 

Susan Broughton (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP (Statutory Auditor)

Birmingham

 July 2015

VEOLIA ES (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | 2014 £000 | 2013 £000 |
|--|--------|---------------------|---------------------|
| REVENUE | 1,2 | 832,617 | 800,419 |
| Cost of sales | | <u>(745,468)</u> | <u>(715,152)</u> |
| GROSS PROFIT | | 87,149 | 85,267 |
| Administrative expenses | | <u>(74,529)</u> | <u>(75,109)</u> |
| OPERATING PROFIT | 3 | 12,620 | 10,158 |
| Loss on sale of tangible fixed assets | | <u>(1,879)</u> | <u>(668)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST | | 10,741 | 9,490 |
| Interest receivable and similar income | | - | 842 |
| Interest payable and similar charges | 7 | <u>(1,807)</u> | <u>(692)</u> |
| Other finance costs | 8 | <u>(925)</u> | <u>(137)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 8,009 | 9,503 |
| Tax on profit on ordinary activities | 9 | <u>(3,562)</u> | <u>(4,506)</u> |
| PROFIT FOR THE FINANCIAL YEAR | 21, 22 | <u>4,447</u> | <u>4,997</u> |

All amounts relate to continuing operations.

The notes on pages 14 to 35 form part of these financial statements.

VEOLIA ES (UK) LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | 2014 £000 | 2013 £000 |
|---|--------|-----------------|--------------|
| PROFIT FOR THE FINANCIAL YEAR | | 4,447 | 4,997 |
| Actuarial gain relating to pension liability | 24 | 1,820 | 5,194 |
| Deferred tax attributable to actuarial gain | 17 | (1,725) | (2,834) |
| Change in deferred tax rate | 17 | - | (1,812) |
| Current tax credit on pension contributions paid in excess of profit & loss account | 20, 24 | 1,463 | 1,657 |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR | | 6,005 | 7,202 |
| Prior year adjustment | 20 | (10,064) | |
| TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS | | (4,059) | |

The notes on pages 14 to 35 form part of these financial statements.

VEOLIA ES (UK) LIMITED
REGISTERED NUMBER: 2481991

BALANCE SHEET
AS AT 31 DECEMBER 2014

| | Note | £000 | 2014 £000 | As restated 2013 £000 |
|--|------|----------------|----------------------|-----------------------------|
| FIXED ASSETS | | | | |
| Goodwill | 10 | | 6,431 | 8,162 |
| Tangible assets | 11 | | 161,018 | 164,349 |
| Investments in subsidiary undertakings | 12 | | 7,274 | 1,186 |
| | | | <u>174,723</u> | <u>173,697</u> |
| CURRENT ASSETS | | | | |
| Stocks | 13 | 6,234 | | 5,405 |
| Debtors | 14 | 439,468 | | 381,775 |
| Cash at bank | | 17,567 | | 12,050 |
| | | <u>463,269</u> | | <u>399,230</u> |
| CREDITORS: amounts falling due within one year | 15 | (487,903) | | (421,884) |
| NET CURRENT LIABILITIES | | | <u>(24,634)</u> | <u>(22,654)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>150,089</u> | <u>151,043</u> |
| CREDITORS: amounts falling due after more than one year | 16 | | - | (2,094) |
| PROVISIONS FOR LIABILITIES | | | | |
| Other provisions | 18 | | (14,457) | (12,422) |
| NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES | | | <u>135,632</u> | <u>136,527</u> |
| Defined benefit pension scheme liability | 25 | | (41,413) | (48,313) |
| NET ASSETS | | | <u><u>94,219</u></u> | <u><u>88,214</u></u> |

VEOLIA ES (UK) LIMITED

BALANCE SHEET (continued)
AS AT 31 DECEMBER 2014

| | Note | £000 | 2014 £000 | As restated 2013 £000 |
|-----------------------------|------|------|---------------|-----------------------------|
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 19 | | 75,000 | 75,000 |
| Profit and loss account | 21 | | 19,219 | 13,214 |
| SHAREHOLDERS' FUNDS | 22 | | <u>94,219</u> | <u>88,214</u> |

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



D Gerrard
Director

Date: 29 July 2015

The notes on pages 14 to 35 form part of these financial statements.

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006 as it is included within the consolidated financial statements of Veolia Environnement S.A. (incorporated in France). These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Prior year adjustment

During 2014, a review of historical transactions affecting the company's inter-company balances identified that a one-off employer contribution of £10,064,000 to one of the Veolia UK group's pension funds had been correctly accounted for in the paying company's accounts, but a corresponding inter-company liability was not recognised in the financial statements of Veolia ES (UK) Limited. As Veolia ES (UK) Limited accounts for all pension funds in the Veolia Waste group in the UK, this liability should have been recognised at the time the pension was introduced on to the balance sheet of the company. The corresponding entry should have been made through the Statement of Total Recognised Gains and Losses, and so a prior year adjustment has been made, recognising the inter-company creditor and charging retained profit and loss reserves.

This transaction has the effect of increasing creditors, increasing net current liabilities, reducing net assets, reducing retained profit and loss account and reducing shareholders' funds by £10,064,000.

1.3 Going concern

The company is profitable and operating margins are starting to recover following the recession. The company's balance sheet is robust with reserves of £19,219,000 (2013: £13,214,000), and the Company at year end reported net current liabilities of £24,634,000 (2013: £22,654,000). Consequently, the directors of the Company's immediate parent company, Veolia Environmental Services (UK) Plc, have provided the Company with confirmation of their intent to continue to provide financial support to the Company for the foreseeable future.

The Company's forecasts and budgets for 2015 and beyond identify that the Company is expected to remain profitable and to be cash generative. These budgets and forecasts take into account future expected capital expenditure and capital repayments. Any significant contract win could impact these forecasts, but this impact would be expected to be beneficial.

Given the aforementioned strength and quality of earnings, the strength of the balance sheet and the directors' opinions of the Company's prospects, together with confirmation of group financial support should it be needed, the directors have concluded that it is appropriate that these financial statements are prepared on the going concern basis.

1.4 Cash flow

Under Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of Veolia Environnement S.A. whose financial statements are publicly available.

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

1.5 Revenue and Revenue Recognition

Revenue, which wholly arises in the United Kingdom, is measured at the fair value of the consideration received excluding discounts, rebates, VAT and other sales taxes or duty and represents the value of goods and services supplied. It is recognised to the extent that the Company obtains the right to consideration in exchange for its performance of services. The following criteria must also be met before revenue is recognised:

1. Revenue from the handling of waste is recognised when the waste has been passed to, and receipted by, the Company.
2. Revenue arising from the sale of waste for recycling is recognised when the waste is dispatched.
3. Revenue from the provision of services is recognised when the contracted service has been performed.
4. Interest revenue is recognised as it accrues using the effective interest method.

1.6 Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life, which ranges from 3 -20 years.

Goodwill is reviewed for impairment if events or changes in circumstances indicate that that the carrying value may not be recoverable.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|-----------------------------|---|---|
| Freehold property | - | over their estimated useful lives up to 50 years |
| L/Term Leasehold Property | - | over the life of the lease to a maximum of 50 years |
| S/Term Leasehold Property | - | over the shorter of economic life and life of the lease |
| Plant, machinery & vehicles | - | over 3 to 10 years |

Assets in the course of construction are not depreciated during the construction phase. On completion, these assets will be transferred into the appropriate asset category and will be depreciated per the depreciation policy.

Where there are indicators of impairment, fixed assets are reviewed for impairment.

1.8 Investments

Investments are recorded at cost less any provisions for impairment in the value of the investment.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value.

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

1.10 Leasing and hire purchase

Assets held under finance leases are treated as if they had been purchased at their open market value and are included in tangible fixed assets and depreciation is provided accordingly. The corresponding obligations under these leases are included in creditors. The finance charge element of rentals payable is charged to the profit and loss account in proportion to the capital element outstanding.

1.11 Operating leases

Rental payments arising from operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

1.12 Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation where appropriate. Estimates are made on the basis of the best advice from experts in the related fields. Where material, long term provisions are discounted.

1.13 Pensions

Defined contribution scheme

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.

Defined benefit schemes

The company operates various defined benefit pension schemes all of which require contributions to be made to separately administered funds.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur.

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-market price. The value of a net pension benefit asset is limited to the amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

The latest available information relating to the schemes and the implications for the Company are detailed in note 25.

1.14 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.15 Taxation

The charge for current tax is based on the results for the year, and takes into consideration timing differences that arise because of differences between the timing of the treatment of certain items for accounting and taxation purposes.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the timing of the treatment of certain items for accounting and taxation purposes.

Deferred tax is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are not discounted.

1.16 Related party transactions

Where appropriate, the company takes advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard 8 'Related Party Transactions' not to disclose transactions with other wholly owned group of companies as 100% of the voting rights are controlled within the group.

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. REVENUE

The directors consider that the turnover is attributable to the one principal activity of the Company being the provision of waste management services. All turnover arose within the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging:

| | 2014 £000 | 2013 £000 |
|--|-------------------|-------------------|
| Amortisation - goodwill | 1,506 | 1,910 |
| Depreciation of tangible fixed assets: | | |
| - owned by the company | 33,456 | 27,173 |
| - held under finance leases | 1,755 | 4,942 |
| Impairment of fixed assets | 1,265 | 2,301 |
| Operating lease rentals: | | |
| - plant and machinery | 30,759 | 18,362 |
| - other operating leases | 8,241 | 7,854 |
| Unwinding of discount on provisions | 361 | 252 |
| Short term hire of plant and machinery | 7,040 | 5,727 |
| Impairment of Goodwill | 225 | - |
| Impairment of fixed asset investments | 2,648 | - |
| | <u> </u> | <u> </u> |

4. AUDITORS' REMUNERATION

| | 2014 £000 | 2013 £000 |
|---|-------------------|-------------------|
| Fees payable to the company's auditor for the audit of the company's financial statements | 280 | 270 |
| | <u> </u> | <u> </u> |

Included in the fees above is £110,000 (2013: £107,000) incurred in respect of other group companies.

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. STAFF COSTS

On 1 April 2011, due to a change in the contract of employment, the employees of various Group companies were transferred to become employees of Veolia ES (UK) Limited.

The cost of these employees continues to be borne by fellow Group companies as these employees continue to perform their duties on behalf of these companies.

The total payroll costs relating to employees employed by the company, including any amounts in respect of work on behalf of other Group companies, for the year are as follows

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | £000 | £000 |
| Wages and salaries | 349,382 | 310,975 |
| Social security costs | 34,013 | 30,116 |
| Other pension costs | 14,750 | 10,780 |
| Total | 398,145 | 351,871 |

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

| | 2014 | 2013 |
|---------------------------------|---------------|---------------|
| | No. | No. |
| Office staff and administration | 1,976 | 1,924 |
| Operatives | 9,249 | 9,005 |
| Total | 11,225 | 10,929 |

The net payroll cost to the company of employees performing their duties on behalf of the company after management recharges is as follows:

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | £000 | £000 |
| Wages and salaries | 273,890 | 273,739 |
| Social security costs | 26,666 | 26,300 |
| Other pension costs | 9,405 | 8,459 |
| Total | 309,961 | 308,498 |

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

| | 2014 | 2013 |
|---------------------------------|--------------|--------------|
| | No. | No. |
| Office staff and administration | 1,820 | 1,852 |
| Operatives | 7,759 | 7,895 |
| Total | 9,579 | 9,747 |

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6. DIRECTORS' REMUNERATION

Five (2013: three) of the directors are paid by other companies within the Veolia group and all directors perform services for other Veolia UK group companies alongside their services to this Company. In 2014, the directors have apportioned their costs to the relevant companies and had the remuneration for those directors been charged to all of the companies those directors serve, the Company would have incurred £622,000 of directors emoluments, including £23,000 of pension contributions. There is no accurate analysis available for 2013.

The highest paid director received remuneration of £215,000 (2013: £71,000) and pension contributions of £3,000 (2013: £nil) for the time spent on the company's activities.

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| On finance leases and hire purchase contracts | 432 | 681 |
| Interest payable on amounts due to group undertakings | 1,375 | 11 |
| | <u>1,807</u> | <u>692</u> |

8. OTHER FINANCE COSTS

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Expected return on pension scheme assets (Note 25) | 18,184 | 18,043 |
| Interest on pension scheme liabilities (Note 25) | (19,109) | (18,180) |
| | <u>(925)</u> | <u>(137)</u> |

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

9. TAXATION

| | 2014 £000 | 2013 £000 |
|--|---------------------|---------------------|
| Analysis of tax charge in the year | | |
| Current tax (see details below) | | |
| UK corporation tax charge on profit for the year | 3,096 | 4,662 |
| Adjustments in respect of prior periods | (572) | (191) |
| Total current tax | <u>2,524</u> | <u>4,471</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 1,021 | (99) |
| Effect of decreased tax rate on opening asset | - | 352 |
| Adjustment in respect of prior periods | 17 | (218) |
| Total deferred tax (see note 17) | <u>1,038</u> | <u>35</u> |
| Tax on profit on ordinary activities | <u><u>3,562</u></u> | <u><u>4,506</u></u> |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - *higher than*) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

| | 2014 £000 | 2013 £000 |
|---|---------------------|---------------------|
| Profit on ordinary activities before tax | <u>8,009</u> | <u>9,503</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%) | 1,722 | 2,209 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 2,471 | 2,260 |
| Fixed assets timing differences | (1,283) | 33 |
| Adjustments to tax charge in respect of prior periods | (572) | (191) |
| Short term timing differences | 186 | 67 |
| Transfer pricing adjustments | - | 93 |
| Current tax charge for the year (see note above) | <u><u>2,524</u></u> | <u><u>4,471</u></u> |

Factors that may affect future tax charges

Deferred tax assets have been stated at the corporation tax rate of 20% (2013: 20%) reflecting the reduction in the UK corporation tax rate which took effect from 1 April 2015 and which was substantively enacted on 2 July 2013. This is on the basis that it is anticipated that the Company's deferred tax assets will materially unwind after 1 April 2015.

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

10. GOODWILL

| | Goodwill £000 |
|--|------------------|
| Cost | |
| At 1 January 2014 and 31 December 2014 | 25,296 |
| Amortisation | |
| At 1 January 2014 | 17,134 |
| Charge for the year | 1,506 |
| Impairment | 225 |
| At 31 December 2014 | 18,865 |
| Net book value | |
| At 31 December 2014 | 6,431 |
| At 31 December 2013 | 8,162 |

11. TANGIBLE FIXED ASSETS

| | Freehold property £000 | Long Leasehold Land and Buildings £000 | Short Leasehold Land and Buildings £000 | Plant & machinery & vehicles £000 | Assets under construction £000 | Total £000 |
|--------------------------|------------------------------|--|---|--|---|---------------|
| Cost | | | | | | |
| At 1 January 2014 | 57,005 | 19,331 | 3,349 | 347,699 | 13,246 | 440,630 |
| Additions | 2,128 | 133 | - | 23,847 | 10,266 | 36,374 |
| Disposals | (2,507) | (770) | (253) | (35,275) | - | (38,805) |
| Transfer between classes | 1,651 | - | - | 10,919 | (12,570) | - |
| At 31 December 2014 | 58,277 | 18,694 | 3,096 | 347,190 | 10,942 | 438,199 |
| Depreciation | | | | | | |
| At 1 January 2014 | 22,562 | 14,748 | 1,622 | 237,349 | - | 276,281 |
| Charge for the year | 2,227 | 575 | 260 | 32,149 | - | 35,211 |
| On disposals | (1,707) | (591) | (253) | (33,025) | - | (35,576) |
| Impairment charge | 546 | - | - | 719 | - | 1,265 |
| At 31 December 2014 | 23,628 | 14,732 | 1,629 | 237,192 | - | 277,181 |
| Net book value | | | | | | |
| At 31 December 2014 | 34,649 | 3,962 | 1,467 | 109,998 | 10,942 | 161,018 |
| At 31 December 2013 | 34,443 | 4,583 | 1,727 | 110,350 | 13,246 | 164,349 |

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

11. TANGIBLE FIXED ASSETS (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2014 | 2013 |
|---------------------|--------------|---------------|
| | £000 | £000 |
| Land and buildings | - | 4,493 |
| Plant and machinery | 2,100 | 7,385 |
| | <u>2,100</u> | <u>11,878</u> |

Included in land and buildings is freehold land with a cost of £8,888,000 (2013: £9,176,000) which is not depreciated.

12. FIXED ASSET INVESTMENTS

| | Investments in subsidiary companies £000 |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2014 | 6,218 |
| Additions | 8,736 |
| At 31 December 2014 | <u>14,954</u> |
| Impairment | |
| At 1 January 2014 | 5,032 |
| Provided in the year | 2,648 |
| At 31 December 2014 | <u>7,680</u> |
| Net book value | |
| At 31 December 2014 | <u>7,274</u> |
| At 31 December 2013 | <u>1,186</u> |

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

12. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

Details of the company's subsidiaries are shown below:

| Name | Class of shares | Holding |
|---|-----------------|---------|
| IC Woodward & Sons Limited | Ordinary | 100 % |
| GJT Holdings Limited | Ordinary | 100 % |
| PGR Waste Management Limited | Ordinary | 100 % |
| Veolia Water Industrial Outsourcing Limited | Ordinary | 100 % |
| Veolia Water Capital Services Limited | Ordinary | 100 % |
| Simpro Limited | Ordinary | 100 % |
| Tekågel Invest 759 AS | Ordinary | 100 % |

| Name | Business | Registered in |
|---|---------------------------------|-------------------|
| IC Woodward & Sons Limited | Dormant | England and Wales |
| GJT Holdings Limited | Dormant | England and Wales |
| PGR Waste Management Limited | Dormant | England and Wales |
| Veolia Water Industrial Outsourcing Limited | Waste water treatment solutions | England and Wales |
| Veolia Water Capital Services Limited | Equipment leasing | England and Wales |
| Simpro Limited | Composting services | England and Wales |
| Tekågel Invest 759 AS | Oil rig decommissioning | Norway |

Joint Ventures

Veolia ES (UK) Limited has a 50% shareholding in Batteryback plc by way of ordinary shares. The principal activity of Batteryback plc is to manage a battery recycling scheme. Batteryback plc is registered in England and Wales.

Simpro Limited has a 50% shareholding in Kingston Composting Ltd by way of ordinary shares. This company is registered in England and Wales, and is dormant.

13. STOCKS

| | 2014 £000 | 2013 £000 |
|-------------------------------------|--------------|--------------|
| Consumable stores | 5,706 | 4,998 |
| Finished goods and goods for resale | 528 | 407 |
| | <u>6,234</u> | <u>5,405</u> |

In the opinion of the directors the replacement cost of the stocks would not be significantly different from the values stated.

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

14. DEBTORS

| | 2014 | 2013 |
|------------------------------------|----------------|----------------|
| | £000 | £000 |
| Trade debtors | 152,660 | 149,724 |
| Amounts owed by group undertakings | 269,306 | 208,615 |
| Corporation tax | 5,287 | 10,794 |
| Other debtors | 2,443 | 3,765 |
| Prepayments | 8,459 | 6,526 |
| Deferred tax asset (see note 17) | 1,313 | 2,351 |
| | <u>439,468</u> | <u>381,775</u> |

**15. CREDITORS:
Amounts falling due within one year**

| | 2014 | <i>As restated</i> 2013 |
|---------------------------------------|----------------|-----------------------------------|
| | £000 | £000 |
| Net obligations under finance leases | 967 | 3,436 |
| Trade creditors | 79,896 | 89,240 |
| Amounts due to group undertakings | 319,981 | 270,908 |
| Other taxes and social security costs | 8,534 | 12,389 |
| Other creditors | 28,303 | 2,809 |
| Accruals and deferred income | 50,222 | 43,102 |
| | <u>487,903</u> | <u>421,884</u> |

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

Other creditors includes a liability due to Compagnie Générale d'Affacturage amounting to £26,076,000 (2013: £nil), in relation to cash received on debts factored by this company.

Also included within Other creditors is £2,255,000 (2013: £nil) which relates to amounts collected on behalf of certain councils. The corresponding cash balances for this amount are included in Cash at bank.

**16. CREDITORS:
Amounts falling due after more than one year**

| | 2014 | 2013 |
|--------------------------------------|-------------|--------------|
| | £000 | £000 |
| Net obligations under finance leases | <u>-</u> | <u>2,094</u> |

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

16. CREDITORS:
Amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

| | 2014 | 2013 |
|----------------------------|-------------------|-------------------|
| | £000 | £000 |
| Between two and five years | - | 2,094 |
| | <u> </u> | <u> </u> |

17. DEFERRED TAX ASSET

| | 2014 | 2013 |
|----------------------|-------------------|-------------------|
| | £000 | £000 |
| At beginning of year | 2,351 | 2,386 |
| Charge for year | (1,038) | (35) |
| | <u> </u> | <u> </u> |
| At end of year | 1,313 | 2,351 |
| | <u> </u> | <u> </u> |

The deferred tax asset is made up as follows:

| | 2014 | 2013 |
|--------------------------------|-------------------|-------------------|
| | £000 | £000 |
| Accelerated capital allowances | 1,125 | 2,350 |
| Short term timing differences | 188 | 1 |
| | <u> </u> | <u> </u> |
| | 1,313 | 2,351 |
| | <u> </u> | <u> </u> |

In addition a deferred tax asset of £10,353,000 (2013: £12,078,000) relating to the defined benefit pension fund has been recognised at the balance sheet date, and has been netted against the pension deficit outstanding as shown in note 25. The movements on this deferred tax asset are set out below:

Movement on deferred tax asset included within the pension scheme liability

| | £000 |
|---------------------|-------------------|
| At 1 January 2014 | 12,078 |
| Included in STRGL | (1,725) |
| | <u> </u> |
| At 31 December 2014 | 10,353 |
| | <u> </u> |

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

18. PROVISIONS

| | Dilapidations | Site dismantling costs | Other | Total |
|---------------------------------|----------------------|-------------------------------|--------------|---------------|
| | £000 | £000 | £000 | £000 |
| At 1 January 2014 | 3,392 | 8,104 | 926 | 12,422 |
| Additions | 1,591 | - | 1,061 | 2,652 |
| Amounts utilised | (531) | (163) | (284) | (978) |
| Effect of unwinding of discount | 243 | 118 | - | 361 |
| At 31 December 2014 | 4,695 | 8,059 | 1,703 | 14,457 |

Dilapidations

The Company has a nationwide network of depots, many of which are leased and are subject to repair conditions at the end of the lease. The utilisation of this provision is estimated to be between 1 and 18 years.

Site dismantling costs

The Company operates a landing jetty on the River Thames. One of the planning conditions assigned to this jetty is that the jetty needs to be dismantled at the end of the consent. This is expected to occur in 2018.

Other

Other provisions relate to a number of property and personnel obligations at 31 December 2014. The utilisation of this provision is estimated to be between 1 and 4 years. The provision has not been discounted as the impact is considered not to be material.

19. SHARE CAPITAL

| | 2014 | 2013 |
|---|----------------|----------------|
| | £000 | £000 |
| Authorised | | |
| 250,000,000 Ordinary shares of £1 each | 250,000 | 250,000 |
| Allotted, called up and fully paid | | |
| 75,000,000 Ordinary shares of £1 each | 75,000 | 75,000 |

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

20. PRIOR YEAR ADJUSTMENT

During 2014, a review of historical transactions affecting the company's inter-company balances identified that a one-off employer contribution of £10,064,000 to one of the Veolia UK group's pension funds had been correctly accounted for in the paying company's accounts, but a corresponding inter-company liability was not recognised in the financial statements of Veolia ES (UK) Limited. As Veolia ES (UK) Limited accounts for all pension funds in the Veolia Waste group in the UK, this liability should have been recognised at the time the pension was introduced on to the balance sheet of the company. The corresponding entry should have been made through the Statement of Total Recognised Gains and Losses, and so a prior year adjustment has been made, recognising the inter-company creditor and charging retained profit and loss reserves.

This transaction has the effect of increasing creditors, increasing net current liabilities, reducing net assets, reducing retained profit and loss account and reducing shareholders' funds by £10,064,000.

21. RESERVES

| | Profit and loss account £000 |
|--|---|
| At 1 January 2014 (as previously stated) | 23,278 |
| Prior year adjustment (note 20) | (10,064) |
| At 1 January 2014 (as restated) | <u>13,214</u> |
| Profit for the financial year | 4,447 |
| Actuarial gains net of deferred tax | 95 |
| Current tax credit on pension payments | 1,463 |
| At 31 December 2014 | <u><u>19,219</u></u> |

The closing balance on the Profit and loss account includes a £41,413,000 (2013: £48,313,000) debit, stated after deferred taxation of £10,353,000 (2013: £12,078,000), in respect of pension scheme liabilities of the company pension scheme.

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2014 £000 | 2013 £000 |
|---|----------------------|----------------------|
| Opening shareholders' funds | 98,278 | 291,076 |
| Prior year adjustments (note 20) | (10,064) | (10,064) |
| Opening shareholders' funds (as restated) | <u>88,214</u> | <u>281,012</u> |
| Profit for the financial year | 4,447 | 4,997 |
| Dividends (Note 23) | - | (200,000) |
| Actuarial gain on pension liability | 1,558 | 2,205 |
| Closing shareholders' funds | <u><u>94,219</u></u> | <u><u>88,214</u></u> |

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

23. DIVIDENDS

| | 2014 | 2013 |
|----------------------------------|-------------|----------------|
| | £000 | £000 |
| Dividends paid on equity capital | <u>-</u> | <u>200,000</u> |

The company did not pay any dividends during the year (2013: £200,000,000 at a rate of 267p per ordinary share).

24. CAPITAL AND OTHER FINANCIAL COMMITMENTS

At 31 December 2014 the company had capital commitments as follows:

| | 2014 | 2013 |
|---|---------------|--------------|
| | £000 | £000 |
| Contracted for but not provided in these financial statements | <u>13,311</u> | <u>6,588</u> |

At the end of the year, the Company had entered into forward exchange contracts to purchase a total of €51,927,000 (2013: €147,670,000) for a fixed cost of £42,394,000 (2013: £120,690,000).

VEOLIA ES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

25. PENSION COMMITMENTS

Defined contribution schemes

The Veolia Group operates various defined contribution pension schemes. The assets of the schemes are invested and managed independently of the finances of the Group.

Contributions of £7,801,000 (2013: £6,523,000) were paid by the company in respect of its participation in the defined contribution schemes during the year. There were £1,100,000 (2013: £nil) of unpaid contributions at the year end.

Defined benefit schemes

Veolia ES (UK) Limited operates three defined benefit pension arrangements as listed:

- Veolia Local Government Pension Schemes
- Veolia ES Final Salary Division of the Veolia UK Pension Plan and
- Veolia ES Municipal Division of the Veolia UK Pension Plan

As allowed by FRS 17 (amended), these schemes have been collated due to their common risk and performance profile.

The company made an additional contribution to the Municipal division of £2,164,000 in 2014 (2013: £2,097,000). Under the current actuarial valuation from 1 April 2015 until 31 May 2018, the company will pay £2,214,000 per annum, increasing by RPI from 1 January 2016.

The company made an additional contribution to the Final Salary division of £5,644,000 in 2014 (2013: £5,457,000). Under the current actuarial valuation, in 2015, an amount of £5,910,000 will be payable, increasing by set amounts from 1 January 2016 until 31 December 2021, as set out in the valuation. The following amounts are payable prior to the next actuarial valuation: 2016: £9,000,000; 2017: £10,600,000; 2018: £13,749,000.

In order to provide information about the funding position of the schemes, regular actuarial valuations are carried out. The most recent formal valuation of the Veolia ES Final Salary Division of the Veolia UK Pension Plan was carried out as at 31 December 2014. The most recent formal valuation of Veolia Local Government Pension Scheme took place on 31 March 2013 by a qualified actuary using the projected unit method. The most recent formal valuation of the Veolia ES Municipal Division of the Veolia UK Pension Plan was carried out as at 31 December 2014.

The amounts recognised in the Balance sheet are as follows:

| | 2014 £000 | 2013 £000 |
|-------------------------------------|--------------|--------------|
| Present value of scheme liabilities | (484,524) | (421,649) |
| Fair value of scheme assets | 432,758 | 361,258 |
| Deficit in scheme | (51,766) | (60,391) |
| Related deferred tax asset | 10,353 | 12,078 |
| Net liability | (41,413) | (48,313) |

The pension schemes had no interests in the ordinary shares issued by Veolia ES (UK) Limited or property occupied by Veolia ES (UK) Limited in 2013 or 2014.

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

25. PENSION COMMITMENTS (continued)

The amounts recognised in the profit and loss account are as follows:

| | 2014 £000 | 2013 £000 |
|--|----------------|----------------|
| Current service cost | (1,605) | (1,936) |
| Interest on pension scheme liabilities | (19,109) | (18,180) |
| Expected return on scheme assets | 18,184 | 18,043 |
| | <u>(2,530)</u> | <u>(2,073)</u> |
| Total cost recognised in the profit and loss account | <u>(2,530)</u> | <u>(2,073)</u> |
| Actual return on scheme assets | <u>76,095</u> | <u>22,625</u> |

Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses are as follows:

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Actual return on scheme assets | 76,095 | 22,625 |
| Less: expected return on scheme assets | (18,184) | (18,043) |
| | <u>57,911</u> | <u>4,582</u> |
| Other actuarial gains and losses | (56,091) | 612 |
| Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses | <u>1,820</u> | <u>5,194</u> |

Movements in the present value of the defined benefit obligation were as follows:

| | 2014 £000 | 2013 £000 |
|------------------------------------|----------------|----------------|
| Opening defined benefit obligation | 421,649 | 414,920 |
| Current service cost | 1,605 | 1,936 |
| Interest cost | 19,109 | 18,180 |
| Actuarial losses/(gains) | 56,091 | (612) |
| Benefits paid | (14,332) | (12,775) |
| Participant contributions | 402 | - |
| | <u>484,524</u> | <u>421,649</u> |
| Closing defined benefit obligation | <u>484,524</u> | <u>421,649</u> |

VEOLIA ES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. PENSION COMMITMENTS (continued)

Changes in the fair value of scheme assets were as follows:

| | 2014 | 2013 |
|-------------------------------------|----------------|----------------|
| | £000 | £000 |
| Opening fair value of scheme assets | 361,258 | 342,207 |
| Expected return on assets | 18,184 | 18,043 |
| Actuarial gains | 57,911 | 4,582 |
| Contributions by employer | 9,335 | 9,201 |
| Benefits paid | (14,332) | (12,775) |
| Participant contributions | 402 | - |
| | <u>432,758</u> | <u>361,258</u> |

The company expects to contribute £9,713,000 to its Defined benefit pension schemes in 2015.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

| | 2014 | 2013 |
|-----------------|-------------|-------------|
| Equities | 15.50 % | 21.90 % |
| Managed funds | 54.20 % | 33.10 % |
| Corporate bonds | 23.50 % | 33.10 % |
| Gilts and cash | 0.50 % | - % |
| Property | 5.60 % | 11.90 % |
| Other | 0.70 % | - % |

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

| | 2014 | 2013 |
|---|-------------|-------------|
| Discount rate at 31 December | 3.60 % | 4.60 % |
| Expected return on scheme assets at 31 December | 5.26 % | 5.30 % |
| Rate of compensation increase | 3.78 % | 4.06 % |
| Rate of price inflation | 2.05 % | 2.40 % |

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25. PENSION COMMITMENTS (continued)

Life expectancy for a current pensioner aged 65 years has been assumed to be 21.4 - 22.3 years (2013: 21.2 - 21.7 years). Life expectancy for future pensioners at 65 years has been assumed to be 22.5 - 24.3 years (2013: 22.4 - 23.6 years).

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Defined benefit obligation | (484,524) | (421,649) | (414,920) | (388,340) | (230,176) |
| Scheme assets | 432,758 | 361,258 | 342,207 | 322,163 | 202,060 |
| Deficit | (51,766) | (60,391) | (72,713) | (66,177) | (28,116) |
| Experience adjustments on scheme liabilities | 2,209 | - | (449) | (7,137) | (202) |
| Experience adjustments on scheme assets | 57,911 | 4,582 | 6,415 | 5,176 | (4,014) |

26. OPERATING LEASE COMMITMENTS

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | | Other | |
|-------------------------|---------------------------|--------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £000 | £000 | £000 | £000 |
| Expiry date: | | | | |
| Within 1 year | 1,202 | 217 | 2,325 | 2,680 |
| Between 2 and 5 years | 3,704 | 1,737 | 15,068 | 16,238 |
| After more than 5 years | 3,385 | 4,719 | - | 1,040 |
| Total | 8,291 | 6,673 | 17,393 | 19,958 |

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27. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Amounts due under finance leases and hire purchase contracts:

| | 2014 | 2013 |
|---|--------------|--------------|
| | £000 | £000 |
| Amounts payable | | |
| Within one year | 1,003 | 3,641 |
| In two to five years | - | 2,119 |
| | <u>1,003</u> | <u>5,760</u> |
| less: finance charges allocated to future periods | (36) | (230) |
| | <u>967</u> | <u>5,530</u> |

28. RELATED PARTY TRANSACTIONS

The company's ultimate parent company, Veolia Environnement S.A., increased its ownership of the ordinary share capital and voting rights of Dalkia PLC from 99% to 100% on 25 July 2014. Dalkia PLC also changed its name to Veolia Energy UK PLC on 16 December 2014. Transactions with Veolia Energy UK PLC and its subsidiaries up to 25 July 2014, when it became a full subsidiary, are set out in the table below under "Veolia Energy Group".

The Veolia group owns 49.37% of the ordinary shares and voting rights of South East London Combined Heat and Power Limited ("SELCHP LTD"). Trade during the year, and amounts outstanding at the year end, are shown in the table below. The Veolia group own 49.37% of the ordinary shares and voting rights of South East London Combined Heat and Power Limited ("SELCHP LTD"). Trade during the year and amounts outstanding are shown in the table below:

| | Revenue £000 | Cost of Sales/ Admin costs £000 | Amounts Due from Related Parties £000 | Amounts due to Related Parties £000 |
|---------------------|-----------------|--|---|---|
| SELCHP LTD | - | - | - | - |
| 2014 | 642 | (13,217) | 2,644 | (7,584) |
| 2013 | 1,105 | (13,155) | 1,167 | (10,125) |
| Veolia Energy Group | - | - | - | - |
| 2014 | 1,321 | (91) | - | - |
| 2013 | 1,094 | (1,308) | 1,252 | - |

In addition to the above, the company also recharged Veolia Energy Group £895,000 (2013: £1,670,000) in relation to administrative expenses.

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**NOTES TO THE FINANCIAL STATEMENTS
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29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent and controlling company is Veolia Environnement S.A. (incorporated in France). Copies of the parent's consolidated financial statements may be obtained from the Secretary, 36-38 Avenue Kleber, 75116 Paris, France.

The company's ultimate United Kingdom holding company is Veolia UK Limited (registered in England and Wales). The immediate parent company is Veolia Environmental Services (UK) Plc (registered in England and Wales).

Veolia Environnement S.A. is the smallest group for which group financial statements including Veolia ES (UK) Limited are drawn up.