Registered number: 03727031

SHEFFIELD ENVIRONMENTAL SERVICES LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

SHEFFIELD ENVIRONMENTAL SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS	D Gerrard P Gilmour G Graveson R Hunt
COMPANY SECRETARY	B Lambert
REGISTERED NUMBER	03727031
REGISTERED OFFICE	210 Pentonville Road London N1 9JY
INDEPENDENT AUDITOR	Ernst & Young LLP (Statutory auditor) 1 Bridgewater Place, Water Lane Leeds LS11 5QR
BANKERS	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP

SHEFFIELD ENVIRONMENTAL SERVICES LIMITED

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SHEFFIELD ENVIRONMENTAL SERVICES LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

The Directors present the Strategic report for the year ended 31 December 2015.

The principal activity of Sheffield Environmental Services Limited ("the Company") is to provide contract management services for Sheffield City Council ("SCC"), the only customer, with respect to the Integrated Waste Management Contract. The contract commenced on 1st August 2001 and was initially a 30 year contract. However in October 2004, the Company successfully negotiated a five year extension with SCC, taking the revised contract term to 2036. The Company receives operational and management services from Veolia ES Sheffield Limited ("VESS").

The main objectives of the contract are to:

- provide recycling, residual waste and other ancillary collection services to the public across the City of Sheffield;
- provide heat via the District Energy Network ("DE") to properties owned by both SCC and other third parties on behalf of VESS;
- construct a new Energy Recover Facility ("ERF");
- upgrade the five existing Household Waste Recycling Centres ("HWRC's").

The operational and management services for the collection activities are provided by VESS. In addition, VESS are also responsible for managing, operating and maintaining:

- the ERF which incinerates waste and in turn generates heat for the DE network and supplies electricity to the National Grid;
- the Materials Recycling Facility ("MRF"), which processes paper and card from kerbside collections;
- the vehicle workshop, which maintains the extensive fleet of collection and ancillary vehicles;
- the five HWRC's.

All operational and management costs are borne by VESS and are then subsequently passed on to the Company via an operation and management re-charge.

The only customer, SCC pays a monthly fee based on a number of factors including tonnages processed, bin numbers and heat supplied via the District Energy network. The fee from the client therefore varies depending on these factors which in turn has a direct impact on resulting cashflows.

The Company is registered and domiciled in the United Kingdom.

The Company is part of the Veolia Group, ("The Group") which is defined as all companies under the control of the ultimate parent company, Veolia Environnement S.A., headquartered in Paris. The Company is also a member of the UK group, a division of The Group, based in the UK involved in the provision of waste, water and energy services, and directly or indirectly under the ownership of Veolia UK Limited ("VUK").

BUSINESS REVIEW

During the year the Company transitioned from UK GAAP to FRS 101 'Reduced Disclosure Framework' and has taken advantage of exemptions available under this standard. All recognition and measurement differences arising from the adoption of FRS 101 are explained in note 21.

The Directors consider the key performance indicators for the business to be the availability of the plant and the amount of waste incinerated. There was an increase in plant availability in the year to 93.4% (2014: 88.1%). This was mainly due to an improvement in the mix of waste resulting in enhanced plant stability. Total waste processed at the ERF was 231,748 tonnes (2014: 215,521 tonnes), of which 121,474 tonnes (2014: 118,634 tonnes) was SCC waste, with the remainder being supplemented by third parties.

Turnover for the year ended 31 December 2015 was £29,960k (2014: £31,040k). The decrease is due to a one-off benefit for certain services being included in 2014, following a dispute resolution.

STRATEGIC REPORT (continued)

Cost of sales for the year ended 31 December 2015 was £23,954k (2014: £24,173k). The decrease is due to a reduced management fee partially offset by increased expenditure on renewals.

Operating profit decreased to £6,006k (2014: £6,867k). The decrease is largely due to the factors outlined above.

The level of debt was reduced in the year as a result of scheduled repayments. This has resulted in a reduction in interest payable in the year to £6,078k, (2014: £6,672k).

	2015	*2014*
	£000	*£000*
Turnover	**29,960**	*31,040*
Adjusted EBITDA	**10,258**	*11,114*
Adjusted EBITDA as a percentage of turnover	**34.2%**	*35.8%*
Adjusted 'current' EBIT	**6,006**	*6,867*

The definitions below are standard for The Group and do not necessarily imply that the Company has incurred such costs in the year:

- Adjusted EBITDA excludes movements on provisions, restructuring costs, foreign exchange differences, but does include repayments on financial assets;
- Adjusted "current" EBIT excludes restructuring costs, foreign exchange differences and repayments on financial assets.

PRINCIPAL RISKS AND UNCERTAINTIES

In common with all businesses, the Company recognises certain risk factors that are both external and internal to the Company. The Directors consider the principal risks and uncertainties to which the Company is exposed are intrinsic to the business it operates and its ability to provide the service for which it is contracted.

The following highlights some of the particular risks, but is not intended to be an extensive analysis of all risks affecting the business. Some risks may be unknown to the Company and other risks, currently regarded as immaterial, could turn out to be material. All of them have a potential to impact the Company's business, revenue, profits, assets, liquidity, and capital resources adversely. The Board has approved that the Company manages the majority of these risks by utilising the resources and processes developed within the UK group.

Contractual risk

The Company's business is predominantly contract-based; hence the business may be adversely affected by failure to perform to the level agreed within the relevant contract. There are a variety of reasons why this may occur. The UK group has a structured formal project authorisation and review procedure (PAR) which aims at ensuring all legal, operational, technical and commercial risks are properly considered before the initial exchange of contracts, or significant contract alterations, with our clients.

Business continuity

The Company maintains a business continuity plan for each area of its operation so should the unexpected happen, there is a predetermined plan within the Company in place to allow the business to recover and to continue servicing its customers with as little disruption as possible. These plans include sharing of site infrastructure within the UK group, the use of external suppliers who specialise in disaster recovery scenarios and leveraging other group relationships.

Health and Safety, Quality and Environment

The Company has no employees or direct operations but remains fully committed to respecting the UK group's corporate, legal and social responsibilities for Health, Safety and the Environment. It looks to improve its systems and performance with specific year on year targets which are constantly measured. Safety is one of the UK group's key performance indicators, and is now the opening agenda item for all regular senior management meetings. The Health and Safety theme for 2015 was "Coming together to improve Health & Safety" with a view to further strengthening and developing the Health and Safety culture within the UK group. The theme for 2016 is "Thinksafe, worksafe, homesafe", there is also a specific "sleepsafe" initiative to reduce the risk to rough sleepers sheltering in waste containers. All UK group staff are actively encouraged to report "near misses" to ensure "near misses" of today do not become lost time injury (LTI) incidents of the future.

STRATEGIC REPORT (continued)

The UK group has an open relationship with all regulatory bodies, including the various Environment Agency bodies across the UK. The UK group has a number of Environmental Compliance officers and has a wide range of policies covering environmental checklists, greenhouse gas tracking, effluent flows, and all aspects relating to environmental impact assessments. The UK group maintains health, safety and quality to OSHAS18001, ISO14001 and ISO9001 certification levels. The Directors therefore consider the risk associated with Health and Safety, Quality and Environment to be acceptable.

Risks relating to the price of energy, commodities and recycled materials

The price the Company pays for its commodities such as the supply of energy and fuel can have a significant impact on the return it gets from its business. The Company's contract with its customer has indexing formulae to mitigate some of the risk around price increases, however to the extent the Company is unable to increase its prices sufficiently or if there is a significant delay in being able to do so, such increases could undermine the Company's operations by increasing costs and reducing profitability.

In addition the price the Company receives for its energy and for its recycled raw materials (recyclates), paper, plastics, ferrous scrap and non-ferrous metal etc., could have a significant effect on the Company's operating results.

Financial risks

It is the Company's objective to manage its financial risks so as to minimise the adverse effects of fluctuations in the financial markets on its profits and cash flows. The Company utilises the resources of the UK group to implement risk controls and loss mitigation plans to manage exposure to these risks. The VUK Board, which certain Directors are members of, reviews and agrees policies for managing risks and they are summarised below:

- Credit risk

  The Company is exposed to counter-party risk in various areas of its operating activities and treasury activities. Credit risk therefore arises primarily on the Company's operating financial assets and operating receivables, much of which is with other undertakings of The Group. The carrying amount of trade and other receivables, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

  The risk of financial loss is due to an operational counterparty's failure to honour its obligations arises principally in relation to its contracts with SCC for which its fellow subsidiary VESS, is responsible for delivery the operational aspects of the contract.

  The risk of financial loss is due to the failure of its main customer Sheffield City Council, a local authority client, to honour its obligations under the Contract. The Group has also allocated significant resources to a specific credit management team to minimise the credit risk in respect of its smaller, but equally well-established customers. Given the above, the Directors consider the Company's exposure to credit risk to be acceptable.

- Liquidity risk

  The Company is party to a UK group cash pooling arrangement where each member deposits its cash excesses in a current account with VUK and may borrow money in the form of short-term advances. VUK monitors the balances of all 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 exchange risk

  The Company has limited exposure to foreign currency risk as it operates in the UK and all of its trade and most of its purchases are procured in pound sterling. At each reporting date all financial assets and financial liabilities are denominated in pound sterling.

STRATEGIC REPORT (continued)

Other Risks

Following the recent referendum which will result in the UK leaving the European Union, Veolia will continue to develop its business in the UK and monitor the effects of the decision in line with the Group statement released in Paris on 24 June 2016: "Veolia will of course continue its journey in the UK. That means that we will continue to invest both in terms of financial and human resources to ensure we remain competitive and innovative.

This report was approved by the board on 30 November 2016 and signed on its behalf.

D Gerrard
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report and the financial statements for the year ended 31 December 2015.
As permitted, certain information regarding the Company, including a review and analysis of the development and performance of the Company's business during the year and a description of the principal risks and uncertainties facing the Company are contained within the Strategic report.

DIVIDENDS PAID

There were no dividends paid in the year under review *(2014: £NIL).*

RESULTS

The profit for the year, after taxation, amounted to £364k *(2014: loss £406k).*

DIRECTORS

The Directors who served during the year and the period to date were:

D Gerrard
P Gilmour
G Graveson
R Hunt

No Director has, or has had, a material interest, directly or indirectly, at any time during the year.

DIRECTORS' INDEMNITIES

The Directors are entitled to be indemnified by the Company to the extent permitted by law in respect of losses arising out of or in connection with the execution of their powers, duties and responsibilities. Veolia Environnement S.A., the Company's ultimate parent company, maintains Directors' and Officers' liability insurance for the Directors 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. Neither the indemnities nor the insurance provide cover in the event that the Director is proved to have acted fraudulently.

GOING CONCERN

As described in the Strategic report, the Company along with fellow subsidiary VESS are responsible for all the operational aspects of delivering the integrated waste management solution to Sheffield City Council. This arrangement is subject to a 35 year contract, currently expected to expire 1st August 2036.

The Company at year end reported net current liabilities of £(31,892)k (2014: £(4,404)k). In addition, as described in note 18, the Company has received a penalty notice which it disputes and so for the reasons set out in that note no liability has been provided. If the Company was required to provide for this liability it would be material to the financial statements.

The Directors have therefore received written confirmation from VUK that they will, if required, provide financial support to the Company for the coming year. The Directors have made enquiries and have gained assurance that VUK is in a position to provide this support if needed.

Having taken into account the above, the Company has adequate resources to meet its current operational and financial obligations, and the Directors have a reasonable expectation that this will continue for the foreseeable future. This assessment is based on the consideration of the Company's budgeted cash flows and long-term forecasts, related assumptions, available debt facilities and continued group support. For this reason, the Directors continue to adopt the going concern basis in the statutory financial statements.

CORPORATE GOVERNANCE

As a general guiding principle, the Company falls under the UK group which adopt the principles and rules contained in the most widely recognised good governance recommendations.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
INTERNAL CONTROL

During the year under review, the Directors of the Company had overall responsibility for establishing and maintaining an adequate system of internal controls within the Company and they participated in the review of internal controls over financial reporting and the certification process which took place on a Veolia group wide basis. The effectiveness of the system at UK group level was kept under review through the work of the UK group Internal Controls department. The system of internal control is designed to manage rather than eliminate risk. In pursuing these objectives, internal control can provide reasonable assurance against material misstatement or loss.

A risk and control governance framework is in place across the UK group and is subject to continuous review and development. The Company is committed to ensuring that a proper control environment is maintained. There is a commitment to competence and integrity and to the communication of ethical values and control consciousness to managers and employees. Human Resources policies underpin that commitment by a focus on enhancing job skills and promoting high standards of probity among staff. In addition, the appropriate organisational structure has been developed within which to control the businesses and to delegate authority and accountability, having regard to acceptable levels of risk.

The UK group has fraud and anti-bribery policies and procedures in place to ensure that all incidences of fraud and bribery are appropriately reported and investigated. Further, the UK group has adopted a whistleblower protection policy, incorporating a confidential external reporting service operated by an independent provider.

FUTURE DEVELOPMENTS

The Directors remain confident of the ability of the Company to continue to meet its customers' demands. Competition is expected to remain tough and austerity-driven cost controls are expected to continue into the future. The Directors consider the Company, along with other members of the UK group, to be well placed in all aspects of the environmental and waste management industry.

FINANCIAL INSTRUMENTS

Financial instruments give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise is set out in the Strategic report.

Due to the use of facilities from The Group, denominated in pound sterling, the Company has minimal exposure to external loans and overdrafts and has limited exposure to foreign exchange as all of its trade and most of its expenses are incurred in pound sterling. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

The Company's borrowings and loans are all denominated in pound sterling and therefore the Company has no foreign currency exposure on its financing. The Company's borrowings are tied to LIBOR with interest rates being reset each quarter. The Directors consider that LIBOR rates will continue to be stable for the foreseeable future with only small increases due in the period.

It is, and has been throughout the period under review, the Company's policy that no trading in speculative derivative financial instruments shall be undertaken.

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
POST BALANCE SHEET EVENTS

Since the year end the Company has had an increase in share capital of £24,500k from the parent company Veolia ES Aurora Limited. The levels of senior and junior debt have also been reduced by £23,679k and £399k respectively, and the senior debt has been novated from Veolia UK Limited to Veolia Environmental Services (UK) Plc.

AUDITOR

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP (Statutory auditor), 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 on 30 November 2016 and signed on its behalf.

D Gerrard
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable UK 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 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 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 MEMBERS OF SHEFFIELD ENVIRONMENTAL SERVICES LIMITED

We have audited the financial statements of Sheffield Environmental Services Limited for the year ended 31 December 2015, which comprise the Income Statement and Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 8, 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 Strategic report, Directors' report 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 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 2015 and of its profit 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.

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 18 to the financial statements concerning the uncertain outcome of a contract dispute where a penalty notice has been received. The company is currently in the early stages of legal discussions with the third party and the outcome of these discussions cannot be predicted with any certainty. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEFFIELD ENVIRONMENTAL SERVICES LIMITED

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.

Ernst & Young LLP

Stuart Watson (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP (Statutory auditor)

1 Bridgewater Place, Water Lane
Leeds
LS11 5QR

30 November 2016

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £000	*2014 £000*
Turnover	3	**29,960**	*31,040*
Cost of sales		**(23,954)**	*(24,173)*
Gross profit		**6,006**	*6,867*
Interest receivable and similar income	7	**35**	*-*
Interest payable and expenses	8	**(6,078)**	*(6,672)*
Other finance income	9	**37**	*111*
Profit before tax		**-**	*306*
Tax on profit	10	**364**	*(712)*
Profit/(loss) for the year		**364**	*(406)*
Other comprehensive income		**-**	*-*
Total comprehensive income/(loss) for the year		**364**	*(406)*

There were no recognised gains and losses for 2015 or 2014 other than those included in the income statement.

SHEFFIELD ENVIRONMENTAL SERVICES LIMITED
REGISTERED NUMBER:03727031

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note		2015 £000		*2014 £000*
Intangible assets	12		**80,887**		*85,131*
Tangible assets	13		**29**		*38*
			80,916		*85,169*
Current assets					
Debtors: amounts falling due within one year	14	**24,063**		*14,300*	
		24,063		*14,300*	
Creditors: amounts falling due within one year	15	**(55,955)**		*(18,704)*	
Net current liabilities			**(31,892)**		*(4,404)*
Total assets less current liabilities			**49,024**		*80,765*
Creditors: amounts falling due after more than one year	16		**(60,450)**		*(91,739)*
Provisions for liabilities					
Deferred taxation	11	**(9,540)**		*(10,356)*	
			(9,540)		*(10,356)*
Net liabilities			**(20,966)**		*(21,330)*
Capital and reserves					
Called up share capital	17		**1,000**		*1,000*
Profit and loss account			**(21,966)**		*(22,330)*
			(20,966)		*(21,330)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 November 2016.

D Gerrard
Director

The notes on pages 14 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2015	1,000	(22,330)	(21,330)
Comprehensive income for the year			
Profit for the year	-	364	364
At 31 December 2015	1,000	(21,966)	(20,966)

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2014	1,000	(21,924)	(20,924)
Comprehensive loss for the year			
Loss for the year	-	(406)	(406)
At 31 December 2014	1,000	(22,330)	(21,330)

The notes on pages 14 to 31 form part of these financial statements.

1. ACCOUNTING POLICIES

Sheffield Environmental Services Limited is a limited company incorporated in England and Wales.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with the appropriate accounting standards.

The Company's financial statements are presented in pound sterling and all values are rounded to the nearest thousand pound sterling (£000) except when otherwise indicated.

The Company is consolidated in the consolidated financial statements of its ultimate parent company and controlling entity, Veolia Environnement S.A. (incorporated in France). Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the Head Office at 36 – 38 Avenue Kléber, 75116 Paris, France.

1.2 First time application of FRS 101

In the current year the Company transitioned from UK GAAP to FRS 101 for all periods presented. Information on the impact of first time adoption of FRS 101 is given in note 21. The Company's date of transition was 1 January 2014.

The principal accounting policies applied are detailed below.

1.3 FRS 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;
- 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 regarding key management personnel;
- 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;
- an additional balance sheet for the beginning of the earliest comparative period as required by paragraphs 6 and 21 of IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

1. ACCOUNTING POLICIES (continued)

1.4 Accounting for service concession assets

In the course of its activities, the Company provides contract management services for waste management and disposal to a local authority in return for a remuneration based on services rendered.

These services are generally managed by the Company under contracts entered into at the request of public bodies which retain some control of the service provided.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated installations upgraded and built by the Company or made available to it for a fee or nil consideration. These contracts define the "public service obligations" in return for the remuneration. The remuneration is based on a contracted tariff for waste volumes (in bands) for each contract year.

These contracts include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

Concession arrangements are recognised in accordance with IFRIC 12, Service Concession Arrangements. A substantial portion of the Companies assets are used within the framework of concession contracts granted by public sector customers ("grantors").

IFRIC 12 is applicable to concession arrangements comprising a public service obligation and satisfying all of the following criteria:

- the concession grantor controls or regulates the services to be provided by the operator with, the infrastructure, the beneficiaries of the services and prices applied;
- the grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to IFRIC 12, such infrastructure are not classified in assets of the operator as property, plant and equipment but are included in financial assets ("financial asset model") and/or intangible assets ("intangible asset model") depending on the remuneration commitments given by the grantor.

The Company's concession arrangements have been recognised as intangible assets.

Intangible asset model
The intangible asset model applies where the operator is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the recoverable amount. The Company's intangible asset corresponds to the right granted by the concession grantor to the operator to receive revenue based on public usage of the concession services.

Intangible assets resulting from the application of IFRIC 12 are recorded in the balance sheet under the heading "Intangible assets" and are amortised, generally on a straight-line basis, over the contract term. Where vehicles and mobile plant fall under the contract of concession assets, these are also recorded in the balance sheet under the heading "Intangible assets" but are amortised over their useful life.

Revenue from concession arrangements under the intangible asset model includes:

- revenue recorded on a completion basis for assets and infrastructure under upgrade and construction (in accordance with IAS 11); and
- service remuneration based on volumetric usage

Details on the concession contract can be found in the Strategic report.

1. ACCOUNTING POLICIES (continued)

1.5 Going concern

As described in the Strategic report, the Company along with fellow subsidiary VESS are responsible for all the operational aspects of delivering the integrated waste management solution to Sheffield City Council. This arrangement is subject to a 35 year contract, currently expected to expire 1st August 2036.

The Company at year end reported net current liabilities of £(31,892)k (2014: £(4,404)k). In addition, as described in note 18, the Company has received a penalty notice which it disputes and so for the reasons set out in that note no liability has been provided. If the Company was required to provide for this liability it would be material to the financial statements.

The Directors have therefore received written confirmation from VUK that they will, if required, provide financial support to the Company for the coming year. The Directors have made enquiries and have gained assurance that VUK is in a position to provide this support if needed.

Having taken into account the above, the Company has adequate resources to meet its current operational and financial obligations, and the Directors have a reasonable expectation that this will continue for the foreseeable future. This assessment is based on the consideration of the Company's budgeted cash flows and long-term forecasts, related assumptions, available debt facilities and continued group support. For this reason, the Directors continue to adopt the going concern basis in the statutory financial statements.

1.6 Revenue

Revenue represents sales of goods and services measured at the fair value of the consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from district heating network is recognised at the point it is supplied to the customer.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the contract, when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- for construction elements the stage of completion of the contract at the end of the reporting period can be measured reliably;
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue under service concession arrangements (IFRIC 12) is explained in note 1.4.

1. ACCOUNTING POLICIES (continued)

1.7 Interest income

Interest receivable consists of income from cash and cash equivalents held with group undertakings.

1.8 Finance costs

Finance costs are charged to the income statement 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.

1.9 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.
Intangible assets mainly consist of assets recognised in respect of concession arrangements (IFRIC 12) as well as entry fees paid to local authorities for public service contracts, patents, licenses, software and operating rights.

Start up costs are those costs incurred during the early phases of a long-term project that relate to one off activities associated with negotiating and finalising the contract with the Company's principal customer, post preferred bidder stage.

Interest on loans taken out specifically for concession assets under construction may be capitalised during the period of construction and included in the cost of intangible assets at note 12.

Intangible assets are amortised on a straight-line basis over their useful life, usually the contract term to which they relate, unless another systematic amortisation basis better reflects the rate of consumption of the asset.

Expenditure incurred during the operation of a concession which aims to maintain operations at current capacity or cost is recognised in the income statement as incurred. By exception, only where assets will enable the realisation of significant future economic benefit in relation to their cost will they be added to the concession asset. These additional assets will be amortised over the remaining contract term.

The estimated useful lives range as follows:

IFRIC 12 concession assets	-	30-35 years
Software	-	3 years

1. ACCOUNTING POLICIES (continued)

1.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Plant and machinery	-	3-30 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Income statement and statement of comprehensive income.

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

Interest on loans taken out specifically for plant under construction is capitalised during the period of construction and is included in the cost of tangible fixed assets.

1.11 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.

Provision for impairment is made through the income statement when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

1. ACCOUNTING POLICIES (continued)

1.12 Financial instruments

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.

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 Income statement. 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 balance sheet.

Derecognition of financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which nearly all the rights and obligations inherent to ownership of the financial asset are transferred. Any interest created or retained by the Company in a financial asset is recognised separately as an asset or liability.

1. ACCOUNTING POLICIES (continued)

1.13 Creditors

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

1.14 Foreign currency translation

The Company's functional and presentational currency is pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items, denominated in foreign currency, are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the initial transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. All differences on exchange are taken to the income statement.

1.15 Provisions for liabilities

A provision is recorded when, at the year end, the Company has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

As part of its obligations under public services contracts, the Company generally assumes responsibility for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analysed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Statement of comprehensive income.

1. ACCOUNTING POLICIES (continued)

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change 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 balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet 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;
- 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be appropriate under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

With the exception of the assumptions made relating to the contingent liability, as described in note 18, management have not made any material estimates or assumptions that may result in a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. ANALYSIS OF TURNOVER

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

	2015 £000	*2014 £000*
Rendering of services	**29,960**	*31,025*
Construction revenue from concessions	**-**	*15*
Total	**29,960**	*31,040*

All turnover arose within the United Kingdom.

4. OPERATING PROFIT

The operating profit is stated after charging:

	2015 £000	*2014 £000*
Depreciation of tangible fixed assets	**8**	*9*
Amortisation of intangible assets	**4,244**	*4,235*
Loss on disposal of tangible assets	**-**	*3*

Auditors' remuneration of £13k (2014: £11k) was borne by a fellow subsidiary.

5. STAFF COSTS

The Company has no employees other than the Directors, who did not receive any remuneration (2014: £NIL).

6. DIRECTORS' REMUNERATION

The Directors are paid by, and perform services for, other companies within The Group alongside their services to this Company. In 2015, Directors' costs have been apportioned to the principal companies they serve within the UK group, however it is considered that their duties as a Director of the Company are purely incidental to their main role and so no allocation has been made to the Company in either 2015 or 2014.

7. INTEREST RECEIVABLE

	2015 £000	*2014 £000*
Interest receivable from fellow subsidiaries	**35**	*-*

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	*2014 £000*
Interest payable to fellow subsidiaries	**6,078**	*6,672*

9. OTHER FINANCE INCOME

		2015 £000	*2014 £000*
Income on unwinding of the fair value of loans	19	**37**	*111*

10. TAXATION

	2015 £000	*2014 £000*
Corporation tax		
Current tax on profit for the year	**453**	*1,128*
Adjustments in respect of previous periods	**(1)**	*(4)*
Total current tax	**452**	*1,124*
Deferred tax		
Origination and reversal of timing differences	**244**	*(416)*
Effect of changes in tax rate	**(1,060)**	-
Origination and reversal of timing differences - prior year	-	*4*
Total deferred tax	**(816)**	*(412)*
Taxation on profit on ordinary activities	**(364)**	*712*

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than *(2014 - higher than)* the standard rate of corporation tax in the UK of 20.25% *(2014: 21.5%)*. The differences are explained below:

	2015 £000	*2014 £000*
Profit on ordinary activities before tax	-	*306*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	-	*66*
Effects of:		
Expenses not deductible for tax purposes	**31**	*(23)*
Adjustments to tax charge in respect of prior periods	**(1)**	-
Difference between current and deferred tax rates	**(3)**	*32*
Effect of rate change on future deferred tax	**(1,060)**	-
Transfer pricing adjustments	**669**	*637*
Total tax (credit)/charge for the year	**(364)**	*712*

10. TAXATION (continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Deferred tax assets and liabilities have been stated at the corporation tax rate of 18% (2014: 20%) reflecting the reduction in the UK Corporation tax rate which takes effect from 1 April 2020, following the reduction to 19% which takes effect from 1 April 2017, both of which were substantively enacted on 26 October 2015. This is on the basis that it is anticipated that the Company's deferred tax assets and liabilities will materially unwind after 1 April 2020.

11. DEFERRED TAX

	Accelerated capital allowances £000	Short term timing differences £000	Total £000
At 1 January 2015	**10,380**	**(24)**	**10,356**
Charge to income statement	**(1,395)**	**579**	**(816)**
At 31 December 2015	**8,985**	**555**	**9,540**

On 6 September 2016, the Government substantively enacted a reduced rate of corporation tax of 17% to take effect from 1 April 2020. As this was not enacted at the balance sheet date this has not been recognised in the company's deferred tax balance. The effect of this future rate change on the Company's closing deferred tax balance would be a reduction in the deferred tax liability of £530k.

12. INTANGIBLE ASSETS

	IFRIC 12 concession assets £000	Software £000	Total £000
Cost			
At 1 January 2015	128,290	74	128,364
At 31 December 2015	128,290	74	128,364
Amortisation			
At 1 January 2015	43,225	8	43,233
Charge for the year	4,229	15	4,244
At 31 December 2015	47,454	23	47,477
Net book value			
At 31 December 2015	80,836	51	80,887
At 31 December 2014	*85,065*	*66*	*85,131*

13. TANGIBLE FIXED ASSETS

	Plant and machinery £000
Cost or valuation	
At 1 January 2015	266
Disposals	(10)
At 31 December 2015	256
Depreciation	
At 1 January 2015	228
Charge owned for the period	8
Disposals	(9)
At 31 December 2015	227
At 31 December 2015	29
At 31 December 2014	*38*

14. DEBTORS

		2015 £000	*2014 £000*
Trade debtors		**2,518**	*4,840*
Deposit account		**532**	*2,104*
Amounts owed by fellow subsidiaries		**8,302**	*6,475*
Short-term loans to fellow subsidiaries	19	**12,711**	*881*
		24,063	*14,300*

The £532k (2014: £2,104k) shown against deposit accounts is part of the Life Cycle Maintenance Fund and is classed as "restricted cash". The funds provide coverage for the "planned" maintenance programmes for the ERF Plant and District Energy standby boilers. The cash balance represents the average of the next three years planned maintenance programme, which is reviewed annually each year at 31 March.

15. CREDITORS: Amounts falling due within one year

		2015 £000	*2014 £000*
Trade creditors		**2**	*2*
Short-term loans from fellow subsidiaries	19	**47,653**	*9,630*
Corporation tax		**1,580**	*2,059*
Taxation and social security		**519**	*497*
Other creditors		**6,201**	*6,516*
		55,955	*18,704*

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

		2015 £000	*2014 £000*
Long-term loans from fellow subsidiaries	19	**60,450**	*91,739*

17. SHARE CAPITAL

	2015 £000	*2014* *£000*
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	**1,000**	*1,000*

18. Contingent Liabilities

The Company is currently engaged in certain strategic and commercial discussions with a third party relating to a number of contractual matters, some of which are contentious. As a result of these matters the Company has received a penalty notice which if the Company was required to settle would be material to the financial statements. Given discussions are in the early stages (and the fact that the Company disputes that it has any particular liability to pay the penalty at all) the outcome of such discussions (and any recourse to legal proceedings) cannot currently be predicted with any certainty. As a result it is not possible to estimate any possible outflow and therefore no provision has been made.

19. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose trading transactions or balances with fellow wholly owned subsidiaries, with the exception of long-term loans and loans that have been discounted.

There were no transactions entered into or balances outstanding at 31 December 2015 with other related parties.

Long-term loan balances and discounted loan balances are as follows:

LOANS OWED BY RELATED PARTIES

	Due within one year £000	Due between two and five years £000	Due after more than five years £000	Total £000
Veolia ES Sheffield Limited	**12,711**	**-**	**-**	**12,711**

Veolia ES Sheffield Limited loan totalling £12,711k [Nominal value: £12,706k] (2014: £881k [£913k]) is interest-free, repayable on demand, and discounted using a nominal rate based on 3 month LIBOR plus 2.5% and a utilisation fee of 0.35%. This loan is due to be repaid in 2016. The income on unwinding in the year amounted to £37k (2014: £111k).

LOANS OWED TO RELATED PARTIES

	Due within one year £000	Due between two and five years £000	Due after more than five years £000	Total £000
Group companies				
Group cash pooling balances	14,404	-	-	14,404
Veolia ES Aurora Limited	725	2,000	3,750	6,475
Veolia UK Limited	32,524	17,750	36,950	87,224
	47,653	19,750	40,700	108,103

Veolia ES Aurora Limited loan totalling £6,475k (2014: £6,475k), includes accrued interest of £144k (2014: £145k). The loan bears interest at 9%. Repayments commenced in September 2007. Capital and interest is repaid in semi-annual instalments. The loan will be repaid in full by March 2028.

Veolia UK Limited loan totalling £87,224k (2014: £93,667k), includes accrued interest of £1,354k (2014: £1,454k). The loan bears interest at 6.19%. Capital and interest is repaid in semi-annual instalments. The loan will be repaid in full by March 2029.

20. IMMEDIATE PARENT AND CONTROLLING PARTY

The immediate parent company is Veolia ES Aurora Limited, a company incorporated in the UK.

The ultimate parent and controlling company is Veolia Environnement S.A., a company incorporated in France. Consolidated financial statements are prepared by Veolia Environnement S.A.. Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the Head Office at 36 – 38 Avenue Kléber, 75116 Paris, France.

Veolia Environnement S.A. is the smallest and largest group for which group financial statements, including Sheffield Environmental Services Limited, are prepared.

21. FIRST TIME ADOPTION OF FRS 101

	Note	*As previously stated 1 January 2014 £000*	*Effect of transition 1 January 2014 £000*	**FRS 101 (as restated) 1 January 2014 £000**	*As previously stated 31 December 2014 £000*	*Effect of transition 31 December 2014 £000*	**FRS 101 (as restated) 31 December 2014 £000**
Intangible assets	1	-	89,274	**89,274**	-	85,131	**85,131**
Tangible assets	1	62,806	(62,606)	**200**	58,935	(58,897)	**38**
Current assets	2,7	56,709	(25,458)	**31,251**	39,018	(24,718)	**14,300**
Creditors: amounts falling due within one year	7	(20,543)	-	**(20,543)**	(18,887)	183	**(18,704)**
Net current assets/(liabilities)		36,166	(25,458)	**10,708**	20,131	(24,535)	**(4,404)**
Total assets less current liabilities		98,972	1,210	**100,182**	79,066	1,699	**80,765**
Creditors: amounts falling due after more than one year		(110,338)	-	**(110,338)**	(91,739)	-	**(91,739)**
Provisions for liabilities	6	(9,206)	(1,562)	**(10,768)**	(8,677)	(1,679)	**(10,356)**
Net liabilities		(20,572)	(352)	**(20,924)**	(21,350)	20	**(21,330)**
Capital and reserves		(20,572)	(352)	**(20,924)**	(21,350)	20	**(21,330)**

21. FIRST TIME ADOPTION OF FRS 101 (continued)

	Note	*As previously stated 31 December 2014 £000*	*Effect of transition 31 December 2014 £000*	**FRS 101 (as restated) 31 December 2014 £000**
Turnover	3,4,7	*30,394*	*646*	**31,040**
Cost of sales	3,5	*(23,722)*	*(451)*	**(24,173)**
Operating profit		*6,672*	*195*	**6,867**
Interest payable and similar charges		*(6,672)*	*-*	**(6,672)**
Other finance income	2,4	*-*	*111*	**111**
Taxation	6,7	*(778)*	*66*	**(712)**
Loss on ordinary activities after taxation and for the financial year		*(778)*	*372*	**(406)**

Explanation of changes to previously reported profit and equity:

1 As part of the conversion to FRS101 the Company implemented the requirements of IFRIC 12 'Service Concession Arrangements', see accounting policies 1.4. In accounting for this accounting interpretation £58,897k (Opening: £62,606k) of "infrastructure assets, previously classified as tangible assets, have been reclassified as intangible assets

The useful life of these assets has been amended so that they are now written off over the life of the contract. This has resulted in a reduced overall amortisation charge in the opening balance sheet and a reduced charge to the income statement in 2014. The net increase in the closing 2014 balance sheet due to the change in asset life was £8,084k (Opening: £7,405k).

Any renewals of these assets that would previously have been capitalised are now treated as maintenance and expensed as they are incurred. The net decrease in the closing 2014 balance sheet due to the change in accounting for renewals was £783k (Opening: £811k).

In addition a further £23,835k (Opening: £25,317k) has been reclassified from current assets. Due to the difference between amortisation and cash repayments, the net value of additions to intangibles is reduced to £20,480 (Opening: £21,715k).

The remaining change on the tangible assets is in respect of start-up costs previously capitalised now recognised as expenses in the income statement. The net decrease in the closing 2014 balance sheet due to this change in accounting was £1,548k (Opening: £1,641k).

2 On application of IAS39 'Financial Instruments: Recognition and Measurement', intercompany loans and cash advances, which are interest-free and repayable on demand, have been discounted, see note 19. As a result, the short-term loan balance within debtors has been decreased by £31k (Opening: £142k). The impact in the 2014 income statement due to unwinding is an increase in other finance income of £111k.

3 Part of the change to turnover and cost of sales is due to the reclassification of fixed assets to intangible assets described in note 1 above. The addition of infrastructure assets is recognised in the income statement as construction revenue and the cost under IAS 11 "Construction contracts". The Company recognises zero margin on this transaction. An amount of £15k represents the total additions to intangible assets in 2014.

21. FIRST TIME ADOPTION OF FRS 101 (continued)

4 As described in note 1, the reclassification of current assets to intangibles results in an adjustment to turnover of £1,482k, as this was previously classified as repayments. This change also impacts cost of sales for the additional amortisation in the year of £1,235k.

5 A further change to cost of sales in 2014 of £800k, is in respect of the movement on IFRIC12, being the change to the rate for the asset write down of £679k and assets previously capitalised and now being expensed of £121k.

6 This represents the change in tax on the items described above and the change in tax resulting from the prior year adjustment as explained in note 7.

7 Prior year adjustment

In the 2014 financial statements, £851k of revenue was recognised which had already been accounted for in the 2013 income statement. Hence, a prior year adjustment has been made to remove the duplicate recognition of the revenue. This adjustment accounts for the remaining changes to both the 2014 closing balances and the 2014 income statement, being a decrease in debtors and revenue of £851k and a decrease in the creditors and taxation charge of £183k. There is no impact on the 2014 opening balances.