Dundee Energy Recycling Limited

Annual Report and consolidated financial statements
for the 52 week period ended 28 December 2014

Registered number: SC148254

DERL

CONTENTS

Directors' report

For the 52 week period ended 28 December 2014

The Directors present their report on the affairs of the Group, comprising the Company ("DERL") and its two subsidiaries, together with the financial statements and independent auditor's report for the 52 week period ended 28 December 2014. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption under s. 415(a) of the Companies Act 2006.

Principal activity

The Group is engaged in the management and processing of waste and the generation of electricity from refuse-derived fuel, and operates a waste-to-energy plant (the "Plant") for this purpose.

Results

The Group recorded a profit for the year of £1,119,000 (6-month period to 31 December 2013: £360,000).

Going concern

The Group and Company meet their day-to-day working capital requirements through cash generated from their operations and through funding arrangements with Dundee City Council, the Group's principal customer and 100% shareholder. The Group and Company are dependent on the ongoing working relationship with Dundee City Council with regard to the continued deferral of waste diversion costs and other measures that have been agreed in order to aid the Group and Company in repaying their liabilities as they fall due. The Directors have received assurances regarding this ongoing working relationship from Dundee City Council and are not aware of any reason why such support, as agreed, will not continue to be extended. As a result, they continue to adopt the going concern basis.

Dividends

The directors do not recommend the payment of a dividend (6-month period to 31 December 2013: £nil).

Directors and their interests

The following persons were Directors of the Company during the period and to the date of this report as indicated below. Details of their emoluments are set out in note 5 to the financial statements.

A. Flight
A. P. Jones (resigned 29 October 2014)
R. McMullan (appointed 29 October 2014)
I. E. Kelly
K. J. Kerr

No Director had any interest in the issued share capital of the Company at 28 December 2014 or 31 December 2013.

Directors' report continued

For the 52 week period ended 28 December 2014

Secretary and registered office

The company secretary is TM Company Services Limited. The registered office is 1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL

Independent auditor

The Company has elected to dispense with the obligation to appoint an auditor annually and, accordingly, Deloitte LLP will continue as auditor for the ensuing financial year under the provisions of section 418 of the Companies Act 2006.

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

(1) so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(2) the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Approved by the Board of Directors
and signed on behalf of the Board,

R McMullan

Rodger McMullan
Managing Director
24 June 2015

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. 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 Group and of the profit or loss of the Company and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Dundee Energy Recycling Limited

We have audited the financial statements of Dundee Energy Recycling Limited for the 52 week period ended 28 December 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 23. 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, 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 annual report 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 Group's and the Parent Company's affairs as at 28 December 2014 and of the Group's profit for the 52 week period 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.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report and in preparing the Directors' Report.

Michael McGregor ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom
26 June 2015

Consolidated profit and loss account
For the 52 week period ended 28 December 2014

	Notes	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
Turnover	2	9,629	3,659
Cost of sales		(5,290)	(2,412)
Gross profit		4,339	1,247
Administrative expenses			
Fixed asset impairment	9	-	(252)
Other administrative expenses		(2,532)	(921)
Total administrative expenses		(2,532)	(1,173)
Operating profit		1,807	74
Net exceptional items	3	-	455
Net interest payable and similar charges	6	(688)	(169)
Profit on ordinary activities before taxation	3	1,119	360
Tax on profit on ordinary activities	7	-	-
Profit for the financial period	16,17	1,119	360

All results for the financial period were derived from continuing operations.

There were no recognised gains or losses for the period or preceding period other than those shown above. Accordingly no separate Statement of Total Recognised Gains and Losses has been presented.

The accompanying notes form an integral part of these financial statements.

Consolidated and Parent Company balance sheets

As at 28 December 2014

	Notes	Group		Company	
		28 December 2014 £'000	31 December 2013 £'000	28 December 2014 £'000	31 December 2013 £'000
Fixed assets					
Investments	8	-	-	-	-
Tangible assets	9	3,730	3,888	3,730	3,888
Current assets					
Stocks	10	968	821	-	-
Debtors due within one year	11	1,046	3,010	20,217	17,063
Cash at bank and in hand		1,584	1,978	1,584	1,978
		3,598	5,809	21,801	19,041
Creditors: Amounts falling due within one year	12	(4,655)	(6,499)	(27,844)	(22,949)
Net current liabilities		(1,057)	(690)	(6,043)	(3,908)
Total assets less current liabilities		2,673	3,198	(2,313)	(20)
Creditors: Amounts falling due after more than one year	13	(10,450)	(12,094)	(10,449)	(12,094)
Net liabilities		(7,777)	(8,896)	(12,762)	(12,114)
Capital and reserves					
Called-up share capital	14	44,558	44,558	44,558	44,558
Share premium account	16	150	150	150	150
Profit and loss account	16	(52,485)	(53,604)	(57,470)	(56,822)
Shareholders' deficit	17	(7,777)	(8,896)	(12,762)	(12,114)

The accompanying notes form an integral part of these financial statements.

The financial statements of Dundee Energy Recycling Limited (Company Registration No. SC148254) were approved by the Board of Directors and authorised for issue on 24 June 2015 and signed on its behalf by: -

Rodger McMullan
Managing Director

Consolidated cash flow statement

For the 52 week period ended 28 December 2014

	Notes	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
Net cash inflow/(outflow) from operating activities	18	2,371	(1,192)
Returns on investments and servicing of finance			
Interest received		12	2
Interest paid		(194)	(40)
Interest element of finance lease payments		(506)	(74)
Net cash outflow from returns on investments and servicing of finance		(688)	(112)
Capital expenditure and financial investments			
Purchase of tangible fixed assets	9	(432)	(2,577)
Net cash outflow from capital expenditure and financial investments		(432)	(2,577)
Net cash inflow/(outflow) before management of liquid resources and financing		1,251	(3,881)
Financing			
Shareholder loan for funding of tangible fixed assets		-	(3,700)
Finance lease funding of tangible fixed assets		-	7,940
Capital element of finance lease payments	18	(1,645)	(125)
Net cash (outflow)/inflow from financing		(1,645)	4,115
(Decrease)/Increase in cash in the period	18	(394)	234

The accompanying notes form an integral part of these financial statements.

1. Accounting policies

A summary of the principal accounting policies of the Group, all of which have been applied consistently throughout the current and preceding period is set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. They include the results of the activities described in the Directors' Report, all of which are continuing.

The current financial climate continues to create uncertainty within the wider United Kingdom economy, particularly with regard to revenue streams and funding arrangements. The Directors have completed a detailed going concern assessment for the Group and Company, which has included an assessment of the impact of these uncertainties on the Group and Company, and which has included the review of trading projections for a period of at least 12 months from the date of approval of these financial statements. The Group and Company are in positions of net liabilities but hold positive cash balances.

The Group and Company meet their day-to-day working capital requirements through cash generated from their operations and through funding arrangements with Dundee City Council, the Group's principal customer and 100% shareholder. The Group and Company are dependent on the ongoing working relationship with Dundee City Council, with regard to the continued deferral of waste diversion costs and other measures that have been agreed in order to aid the Group and Company in repaying their liabilities as they fall due. The Directors have received assurances regarding this ongoing working relationship from Dundee City Council and are not aware of any reason why such support, as agreed, will not continue to be extended. As a result, they continue to adopt the going concern basis.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of Dundee Energy Recycling Limited and its subsidiary undertakings drawn up to 28 December 2014 and 31 December 2013. All intra-group balances, transactions and profits are eliminated on consolidation.

c) Turnover

Turnover, which is stated net of VAT, represents amounts in respect of processing waste and generating electricity and related items.

d) Stocks

Stocks comprise spare parts for plant and equipment and are stated at the lower of cost or replacement cost. Provision is made for obsolete or defective items where appropriate.

e) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment.

Depreciation of the cost of constructing the waste processing and power generation facilities is provided over their estimated useful economic lives (being 20 years) and commenced when operations began on 31 March 2000. The carrying value of those tangible fixed assets is reviewed annually by the Directors to determine whether there has been any permanent impairment to their value.

Freehold land is not depreciated. Assets under construction are not depreciated until completed.

1. Accounting policies (continued)

e) Tangible fixed assets (continued)

Depreciation on other assets is provided at rates calculated to write off the cost less estimated residual value of those assets on a straight-line basis, over their estimated useful economic lives which is between 3 and 20 years.

f) Finance leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

g) Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

h) Taxation

Current tax, comprising UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

i) Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. The carrying values of these investments are reviewed annually by the Directors to determine whether there has been any impairment to their value.

j) Pension

The employees of the Company participate in a money purchase pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1. Accounting policies (continued)

k) Exceptional items

Certain items that are not regarded as forming part of the underlying trading activities of the Group or are considered to be exceptional and non-recurring in nature are identified separately as exceptional items to allow users of the financial statements to understand the elements of and the trends in the underlying financial performance of the Group. Further details are included in note 3 to the financial statements.

2. Turnover

The Group's business activity is that described in the Directors' Report. Accordingly all of the Group's net assets are in the United Kingdom and all turnover is derived entirely in the United Kingdom.

3. Profit on ordinary activities before taxation

	Group	
Profit on ordinary activities before taxation is stated after charging:	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
Depreciation	590	91
Operating lease charges – plant and machinery	60	43
Fixed asset impairment losses	-	252
Remuneration of auditor for audit services	22	15
Remuneration of auditor for non-audit services	-	-

The Group has annual commitments under a non-cancellable operating lease of £60,000 (31 December 2013: £60,000).

Net exceptional items:

Some of the Company's assets were destroyed in May 2012 as the result of a fire. Repairs costs of £892,000 incurred were covered by an insurance proceeds debtor of an equal amount at 31 December 2013 There were no further costs incurred post December 2013 in respect of the fire damage.

In addition to the above, the Company recorded insurance proceeds receivable of £861,000 apportionable to the 6-month period to 31 December 2013 due to the plant being shut down as a result of the fire. Proceeds of £406,000 were offset against landfill diversion costs within cost of sales and the balance of £455,000 was disclosed as an exceptional item.

4. Staff costs

	Group	
The average monthly number of employees was:	52 weeks ended 28 December 2014 Number	6 months ended 31 December 2013 Number
Management	10	9
Operations	34	33
	44	42
Their aggregate remuneration comprised:		
Wages and salaries	1,761	788
Social security costs	191	85
Pension costs	74	32
	2,026	905

The pension costs noted above relate to contributions made by the Group to a money purchase scheme which is available to all employees.

5. Directors' remuneration

Directors' remuneration during the period amounted to:	Group and Company	
	52 weeks ended 28 December 2014 £	6 months ended 31 December 2013 £
Aggregate emoluments	245,612	96,457

Highest paid director:	£	£
Emoluments	135,352	46,250
Pension contributions	-	-

Pension contributions during the period in respect of Directors amounted to:	Group and Company	
	52 weeks ended 28 December 2014 £	6 months ended 31 December 2013 £
Contributions	5,715	2,775

The pension contributions noted above were in respect of 2 Directors (December 2013: 1) and were made to a money purchase scheme.

6. Net interest payable and similar charges

	Group	
	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
Interest payable on loan (refer note 13)	194	97
Interest receivable	(12)	(2)
Interest element of finance lease payments	506	74
	688	169

7. Tax on profit on ordinary activities

	Group	
Current taxation	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
UK corporation tax at 21.5% (December 2013: 23.0%)	-	-
Tax on profit on ordinary activities	-	-

No provision has been made for deferred taxation (December 2013: £nil). There is an unprovided deferred tax asset at 28 December 2014 of £11,478,000 (December 2013: £13,065,000). Having considered the recoverability of the deferred tax asset, the Directors do not consider it prudent to recognise this asset at the present time.

The forthcoming change in the corporation tax rate to 20% in future years will not materially affect the future tax charge.

7. Tax on profit on ordinary activities (continued)

The differences between the total current tax as shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
Profit on ordinary activities before tax	1,119	360
Tax charge on ordinary activities at standard UK corporation tax rate of 21.5% (December 2013: 23.0%)	241	83
Factors affecting the credit for the period:		
Depreciation in excess of capital allowances	127	21
Movement in losses	(368)	(104)
Tax on profit on ordinary activities	-	-

8. Fixed asset investments

No fixed asset investments are held by the Group (December 2013: £nil).

	Company 28 December 2014 £	31 December 2013 £
Shares in subsidiary undertakings	200	200

Principal subsidiary undertakings

The parent company is the beneficial owner of the following subsidiary undertakings:

	Activity	Incorporation and registration	Shareholding
Dundee Waste Management Limited	Processing waste	Scotland	100%
Dundee Electricity Company Limited	Electricity generation	Scotland	100%

9. Tangible fixed assets

	Group and Company		
	Land £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2014	124	38,563	38,687
Additions	-	-	-
Assets under construction	-	432	432
At 28 December 2014	124	38,995	38,687
Depreciation			
At 1 January 2014	-	34,799	34,799
Charge for the period	-	590	590
At 28 December 2014	-	35,389	35,389
Net book value			
At 28 December 2014	124	3,606	3, 730
At 31 December 2013	124	3,764	3,888

Financial Reporting Standards require that fixed assets are recorded in financial statements at no more than their recoverable amount. Recoverable amount is defined as the higher of net realisable value and value in use. Accordingly the Board reviewed the carrying value of the fixed assets and, taking into account the uncertainty surrounding the termination of the Company's waste contracts, the Group took a provision of £252k during the 6-month period to December 2013 against the value of fixed assets.

During 2004, the Company sold all its fixed assets to Dundee City Council and leased them back under a long-term finance lease arrangement. During 2007, the Company sold further fixed assets which it had acquired since the 2004 transaction to Dundee City Council and leased them back under a similar arrangement. During 2008 and 2010, certain plant capital improvements were financed by further finance lease arrangements with Dundee City Council. Further plant capital improvements were undertaken in 2013 and were financed under a similar arrangement with Dundee City Council.

In accordance with the requirements of FRS5, the fixed assets continue to be recorded on the balance sheet of the Company at the net book value immediately preceding these transactions, and are being depreciated in accordance with the accounting policies set out in note 1e). The lease expires on 31 December 2020.

10. Stocks

	Group		Company	
	28 December 2014 £'000	31 December 2013 £'000	28 December 2014 £'000	31 December 2013 £'000
Stock of spare parts and consumables	968	821	-	-

There is no material difference between the balance sheet value of stocks and their replacement cost.

11. Debtors: Amounts falling due within one year

	Group		Company	
	28 December 2014 £'000	31 December 2013 £'000	28 December 2014 £'000	31 December 2013 £'000
Trade debtors	765	814	-	-
Amounts owed by subsidiary undertakings (refer note 20)	-	-	20,047	16,902
Insurance proceeds receivable	-	2,006	-	-
Other debtors and prepayments	281	190	170	161
	1,046	3,010	20,217	17,063

12. Creditors: Amounts falling due within one year

	Group		Company	
	28 December 2014 £'000	31 December 2013 £'000	28 December 2014 £'000	31 December 2013 £'000
Capital element of finance lease payments	1,762	1,763	1,763	1,763
Trade creditors	2,244	3,756	671	3,445
Amounts owed to subsidiary undertakings	-	-	25,037	16,902
Accruals and deferred income	649	980	373	839
	4,655	6,499	27,844	22,949

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

	Group and Company	
	28 December 2014 £'000	31 December 2013 £'000
Secured borrowings:		
5% fixed rate loan 2016-2017	2,300	2,300
5% fixed rate loan 2020	1,600	1,600
Capital element of finance lease payments	6,550	8,194
	10,450	12,094

The secured borrowings are made under facility agreements totalling £3,900,000 (December 2013: £3,900,000) with Dundee City Council and are secured by floating charges over all assets of the Company.

The borrowings and finance lease payments are repayable as follows:

	Group and Company	
	28 December 2014 £'000	31 December 2013 £'000
Between one and two years	1,873	1,763
Between two and five years	4,345	5,795
After five years	4,232	4,536
	10,450	12,094
Within one year	1,762	1,763
	12,212	13,857

14. Share capital

Authorised, called-up, allotted and fully paid:	Group and Company 28 December 2014 £	31 December 2013 £
40 Class A ordinary shares of £1 each	40	40
34 Class B ordinary shares of £1 each	34	34
26 Class C ordinary shares of £1 each	26	26
44,557,485 deferred shares of £1 each	44,557,485	44,557,485
	44,557,585	44,557,585

The A, B and C ordinary shares rank "pari passu" in respect of voting, dividends and other rights, subject to certain restrictions. Holders of the deferred shares are entitled to dividends in accordance with the provisions of the Company's articles of association. The deferred shares are not redeemable and carry no voting rights. On liquidation of the Company, holders of the deferred shares are entitled to receive up to £1 per share providing that all third party liabilities have been settled and that holders of the ordinary shares have been paid the sum of £5,000,000.

15. Shareholders' holdings

The shareholders' beneficial percentage holdings in the Company as at 28 December 2014 and as at the date of this report was as follows:

Dundee City Council	Class A ordinary shares	100%	Deferred shares	100%
Dundee City Council	Class B ordinary shares	100%		
Dundee City Council	Class C ordinary shares	100%		

16. Reserves

	Group		Company	
	Share premium account £'000	Profit and loss account £'000	Share premium account £'000	Profit and loss account £'000
At 1 January 2014	150	(53,604)	150	(56,822)
Profit/(Loss) for the financial period	-	1,119	-	(649)
At 28 December 2014	150	(52,485)	150	(57,471)

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent company is not presented as part of these financial statements. The Company's loss for the financial year amounted to £648,000 (December 2013: loss of £1,676,000).

17. Reconciliation of movements in shareholders' deficit

	Group		Company	
	28 December 2014 £'000	31 December 2013 £'000	28 December 2014 £'000	31 December 2013 £'000
At start of period	(8,896)	(9,256)	(12,114)	(10,438)
Profit/(Loss) for the financial period	1,119	360	(648)	(1,676)
At end of period	(7,777)	(8,896)	(12,762)	(12,114)

18. Notes to the consolidated cash flow statement

Net cash flow from operating activities

	Group	
	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
Operating profit after net exceptional items	1,807	529
Depreciation	590	91
Impairment charge	-	252
Increase in stocks	(147)	(6)
Decrease in debtors	1,964	419
(Decrease) in creditors	(1,843)	(2,477)
Net cash inflow/(outflow) from operating activities	2,371	(1,192)

Analysis and reconciliation of net debt

	Group		
	1 January 2014 £'000	Cash flow £'000	28 December 2014 £'000
Cash at bank and in hand	1,978	(394)	1,584
Debt due after one year	(3,900)	-	(3,900)
Finance leases	(9,957)	1,645	(8,312)
Net debt	(11,879)	1,251	(10,628)

18. Notes to the consolidated cash flow statement (continued)

	Group	
	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
(Decrease)/Increase in cash in the period	(394)	234
Cash outflow/(inflow) from decrease/(increase) in debt	1,645	(4,115)
Movement in net debt in the period	1,251	(3,881)
Net debt at beginning of period	(11,879)	(7,998)
Net debt at end of period	(10,628)	(11,879)

19. Capital commitments

Expenditure contracted for which has not been provided in the financial statements:

	Group and Company	
	28 December 2014 £'000	31 December 2013 £'000
Tangible fixed assets	24	455

20. Intra-group indebtedness

The Company has issued a letter of continuing financial support to one of its subsidiaries which confirms that, for a period of at least one year from the approval date of these financial statements, the Company will not call for repayment of amounts due to the Company from the subsidiary undertaking at a time when, or with the result that, the liabilities of the subsidiary exceed its assets.

21. Related party transactions

During the 52 week period to 28 December 2014 (December 2013 – 6 months ended 31 December 2013) the Group recorded the following transactions with its related parties:

	Group		Company	
	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000	52 weeks ended 28 December 2014 £'000	6 months ended 31 December 2013 £'000
Dundee City Council:				
Gate fee income for waste disposal	5,299	2,502	-	-
Charges for lease rentals, diversion costs, payroll services, provision of site transport and ash disposal	(2,479)	(264)	(2,154)	(202)

The balances owed to Dundee City Council at the period-end were £1,812,000 (December 2013: £3,292,000), along with the finance lease and the loans detailed in notes 12 and 13. Interest payable on the loan is detailed in note 6.

The balances owed by Dundee City Council at the period-end were £74,000 (December 2013 - £116,000).

Dundee City Council is a related party by virtue of it being the 100% shareholder in the Company.

22. Contingent Liabilitiy

Recent case law has considered the elements to be included within the calculation of an employee's holiday pay. Dundee Energy Recycling Limited is currently taking legal advice to establish whether non-contractual overtime and certain other payments are affected. At this point in time it is not possible to identify the extent and amount of Dundee Energy Recycling Limited's liability, if any.

23. Ultimate controlling party

By holding 100% of the issued ordinary share capital of the company Dundee City Council is deemed the ultimate controlling party.