

Registered number: 03475737

SUEZ Recycling and Recovery Holdings UK Ltd

Annual report and financial statements

For the year ended 31 December 2019

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SUEZ Recycling and Recovery Holdings UK Ltd

Company Information

Directors	F Duval D Palmer-Jones J Scanlon C Thorn
Company secretary	M H Thompson
Registered number	03475737
Registered office	SUEZ House Grenfell Road Maidenhead Berkshire SL6 1ES
Independent auditor	Mazars LLP Chartered Accountants and Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD

SUEZ Recycling and Recovery Holdings UK Ltd

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ST/EZ Recycling and Recovery Holdings UK Ltd

Group strategic report for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Business review

The Group's key financial and other performance indicators for the year are as follows:

	2019 £000	2018 £000	Change
Revenue	784,111	719,791	+8.9%
Gross profit	114,961	117,473	2.1%
Operating profit	37,044	34,849	+6.3%
Profit after tax	13,883	3,634	+282%
Total Equity	385,319	382,725	+0.7%
Current assets as % of current liabilities	139%	139%	
Average headcount	5,168	4,997	

The Group commenced a new contract in June 2019 with Greater Manchester Combined Authority (GMCA) to manage 1.1 million tonnes of waste from nearly 2.3 million residents, the largest such contract in the UK. This involves the operation of 41 facilities across 24 locations, including mechanical treatment facilities, 20 Household Waste Recycling Centres (HWRCs) and an Energy from Waste facility (EfW). This has contributed to an increase of £48.7m in Group turnover year on year.

Operationally the Group's energy business has continued to perform strongly in 2019; particularly the Suffolk facility which processed 265k tonnes of waste and exported 164,000 megawatts of electricity. The facilities at the Cornwall and Wilton facilities were successfully reinstated following reduced availability hours in 2018. The lost hours were the subject of settlement claims on the EPC contractors; the settlement of both of these claims is reflected in the 2019 income statement.

The Group's Industrial and Commercial collections generated increased profitability in 2019, thanks to efficiency improvements and the introduction of bill by weight invoicing. Improved operational performance within the Processing business, in particular the Group's recycling facilities, has also positively impacted the 2019 results. As well as the continued implementation of LEAN methodology, a project was initiated in 2019 to deep dive into processes and work practices to further identify areas for simplification and efficiency improvements. This "Jigsaw" project has led to more effective practices being installed and costs being saved.

A review of the Group's assets has led to certain facilities being impaired in 2019, the impairments relate to; landfill assets which, in line with the Group's strategy to continue the move away from Landfilling activities, have less volumes and therefore less value in use; and an 'end of life' plastic to fuel processing facility which is currently deemed to hold no value as the technology remains commercially unviable and therefore has been fully impaired. Impairments of £10.2m are included within operating costs.

Construction of new development facilities for a key public sector customer continued to progress in 2019, although the completion of the construction has been delayed. As a result of these delays an impairment to the concession debtor of £12.6m is included in the 2019 income statement. Also related to these delays are liquidated damages due from the EPC contractor for £8.9m which have been recognised as a gain in the 2019 income statement. Further to this an additional £9.8m provision against the concession debtor has been made in relation to an ongoing dispute between the Group and the customer over when payment of the facilities should commence, this is down to different contractual interpretation of the trigger for 'acceptance'. The Group and the Customer are actively seeking resolution to the matter in line with the provisions of their contract.

SUEZ Recycling and Recovery Holdings UK Ltd

Group strategic report (continued) for the year ended 31 December 2019

Principal risks and uncertainties

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

Operational risks

The SUEZ R&R Group's operations involve some major public sector contracts, ranging from periods of 7 to 25 years or more, where default on the contract may result in substantial compensation payments to the client.

Long-term contracts also expose the Group to the risk that the contract's revenue profile over the life of the contract may not be sufficient to compensate the Group for unforeseen cost increases, and hence losses may result. The Group has put in place rigorous tender approval procedures to ensure all risks are properly considered. The Group's management and review procedures are aimed at ensuring any problems are identified at an early stage and steps are taken to mitigate any losses arising.

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

Competitive risks

Part of the SUEZ R&R Group's business involves contracts with local authorities which are subject to periodic competitive tender. Renewal of these contracts is uncertain and based on financial and performance criteria.

The remaining business relies upon short-term contracts and non-contractual business from industrial and commercial customers, which is subject to normal price competition in the open market.

Legislative risks

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

Health and safety risks

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

Financial instrument risks

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

Use of derivatives

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

SUEZ Recycling and Recovery Holdings UK Ltd

Group strategic report (continued) for the year ended 31 December 2019

Exposure to price, credit, liquidity and cash flow risk

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

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

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

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

The Group has entered into fixed rate swap agreements and forward exchange contracts to avoid volatility in interest charges on its loans and volatility of exchange rate movement on payments made in foreign currencies. The Group has applied hedge accounting requirements to account for the derivative swap agreements and the associated loans; their relationships being accounted for as cash flow hedges – see note 25 to the accounts.

Matters covered in the Directors' report

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

COVID-19

The companies within the SUEZ Recycling and Recovery Group in the UK (the Group) are managed centrally by one Operations Committee. Strategy and policy are decided upon at this Group level, and thus the risks and issues caused by the COVID-19 outbreak are being addressed on a group wide basis.

Since the outbreak of the COVID-19 virus in the United Kingdom, the Group has continually assessed the risks and impacts of the pandemic and the associated economic slowdown on its business. The Group's Gold Command, which consists of Company directors, other Operations Committee members and senior personnel gathers frequently to assess the evolving situation regarding the pandemic and Government legislation, as well as specific guidance for our industry.

The key risks to our business are considered to be as follows:

- The Health and Safety of our employees as well as the users of our services.
- A fall in demand for industrial and commercial collection services associated with the economic slowdown.
- Cash management resulting from reduced customer receipts.

The Group has taken significant measures to mitigate these risks.

Health and Safety:

The Health and Safety of our employees and the general public is always the top priority of the Group; with the outbreak of COVID-19 further accentuating this. The Group has gone to great lengths to secure sufficient supplies of PPE for our operational teams. Furthermore, new guidance has been issued to operational teams (in particular those involved with collections) to manage social distancing protocols. The Group has worked closely with our public sector customers to define the parameters under which the HWRCs were able to re-open and the Group and local authorities have managed strong communication around this, and social distancing, with the general public. All office based staff were remobilised to

SUEZ Recycling and Recovery Holdings UK Ltd

Group strategic report (continued) for the year ended 31 December 2019

work from home from mid-March, in line with Public Health England and government guidance. The Group has also been very active on social media platforms to publicise and promote safe waste handling guidelines for the general public.

Industrial and commercial collections:

The lockdowns and economic slowdown has led to reduced volumes within our collections business. We anticipate that these volumes may take a period of months to recover to pre-COVID-19 levels and also provide an opportunity to grow. The Group benefits from diverse waste streams, with industrial and collections contributing to about 15% of the Group revenue. So whilst the drop in industrial and collection (I&C) tonnage does have an impact on the Group's revenue and profitability, we are not overly reliant on I&C. Further measures have been implemented to restrict the impact of falling I&C tonnage on our business, such as mothballing certain vehicles and using the UK Government Coronavirus Job Retention Scheme (furlough scheme) for some collection staff. We have also supported our I&C customers that have been most affected by the lockdown by offering a service holiday during the lockdown periods.

Cash management:

The slowdown of activity within the UK economy has further highlighted the need for tight cash management. The Group has continued to receive cash for the fixed price elements of our contracts with local authorities. The Group has continued to generate net cash inflows from its operating activities in the period since lockdown in the UK. We are also ensuring that we continue to pay our key suppliers promptly in line with the guidance set out under the government's PPN Supplier Relief programme. We continue to closely monitor the credit status of our customers, especially in the I&C business, to minimise our exposure to bad debt risk which is partly mitigated via our credit insurance policies.

Like most businesses, COVID-19 has had an impact on our Group's financial performance in 2020 which is estimated to be £14m. The Directors remain confident that our strong relationships with our customers, our long-term contracts and our diversified business will provide strong foundations for continued success.

Section 172 statement

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) (a) – (f) of the Act, when performing their duty to promote the success of the Company, under section 172.

S172(1)(a) The likely consequences of any decision in the long term & S172(1)(e) The desirability of the company maintaining a reputation for high standards of business conduct

The focus of the Board has been to drive the Group towards achieving its goals alongside its commitment to having a workforce that more accurately reflects society and has developed challenging targets to achieve this, which includes overhauling our parental leave and flexible working policies, improving the gender pay gap and collaborating across the sector to help drive sector-wide change.

As part of the Group's drive to become more sustainable, the Group has set targets as part of its environmental strategy. The Group is well advanced in developing action plans and engaging with our workforce. The next steps will be to provide the necessary training to be able to deliver these targets, as well as engaging with our wider stakeholders.

The directors of the Company delegated certain duties and responsibilities to various committees and receives regular and timely information (at least monthly) on all key aspects of the business including health and safety, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability, all supported by Key Performance Indicators (KPIs) and identified a list of strategic priorities that were to be reviewed by management throughout 2019.

S172(1)(b) The interests of the Company's employees

SUEZ Recycling and Recovery Holdings UK Ltd

**Group strategic report (continued)
for the year ended 31 December 2019**

How the directors promote the interests of the Company's employees are set out within the Engagement with employees section of the Directors' report. (page 7)

SI 72(1)(c) The need to foster the company's business relationships with suppliers, customers and others

How the directors promote the need to foster the company's business relationships with suppliers, customers and others is set out in the engagement with suppliers, customers and others of the Directors' report. (page 8)

SI 72(1)(d) The impact of the Company's operations on the community and the environment

The Company and our employees believe it is important to ~~give something back to the communities we work in and to~~ society. We do this in many ways. We organise these activities into a programme under our corporate responsibility strategy and call it 'Giving Something Back'. The programme aims to encourage everyone in the company to get involved with local causes and supporting national charities.

Engagement takes place locally through our local offices and sites with many of our operations and the planning team having regular two-way conversations with community representatives to discuss our activities and the local topics that impact us both, including via Science, Technology, Engineering and Mathematics (STEM) which helps to improve the learning and career prospects of local people, at the same time as enhancing our reputation and helping to develop our people and our education programmes, community consultation and involvement through various community Trusts.

During 2019 schools and community groups across the country who wanted to know more about waste, and what happens to it, visited many of our larger facilities that have education and visitor centres where groups can learn about the journey of waste, and see how we handle, process and recover value from it – giving it a second life.

Our network of employee education ambassadors, who are all passionate about resources and sharing their knowledge, visit schools to explain the importance of recycling and responsible waste management in a fun and informative way that links with the national curriculum. These ambassadors also visit local events and county fairs.

SI 72(1)(f) The need to act fairly as between members of the company

For the year under review we have been a wholly owned subsidiary within the SUEZ Recycling and Recovery UK Group. With the Chief Executive Officer and the Finance Director also sitting on our board. Decisions of the Board are also discussed, where relevant, at the meetings of the parent company board.

This report was approved by the board on 5 March 2021 and signed on its behalf.



**C Thorn
Director**

SUEZ Recycling and Recovery Holdings UK Ltd

Directors' report for the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union 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 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 IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Principal activities

The principal activity of the SUEZ Recycling and Recovery Holdings UK Ltd Group ("SUEZ R&R Group") is waste management, including the provision of municipal services, industrial and commercial waste collections, landfill, recycling waste and the operation of energy-from-waste facilities. The SUEZ R&R Group forms the United Kingdom waste management business of the SUEZ Group.

Results and dividends

The group profit for the year, after taxation and minority interests, amounted to £13,883,000 (2018: Profit £3,634,000).

No dividend has been declared for the year ended 31 December 2019 (2018: £Nil).

Directors

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

F Duval
D Palmer-Jones (Resigned 1 January 2020, re-appointed 3 July 2020)
J Boursier (Resigned 22 May 2020)
J Scanlon (Appointed 1 January 2020)
C Thorn (Appointed 1 February 2020)

SUEZ Recycling and Recovery Holdings UK Ltd

Directors' report for the year ended 31 December 2019

Going concern

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

The UK Group benefits from a current account overdraft facility from the French parent company (SUEZ SA) to finance day to day activities. It also benefits from long term loans from SUEZ SA regarding some of our major infrastructure projects. The loans are subject to contractual terms and repayment schedules in line with the operational activities of the infrastructure that they finance. We consider it highly unlikely that SUEZ SA would cancel the overdraft facility that we have in place. However, should this unlikely event occur, we believe we would be able to replace the facility with external debt thanks to our strong credit reputation and relationships with UK banks. The UK Group currently has no external (non Group) loans in place. The impact of COVID-19 has been assessed and factored into the cashflow forecasts for the UK Group and it is not expected that the overdraft facility with SUEZ SA will be breached in the next 12 months, with adequate headroom for any unknown events also.

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

Directors' indemnity

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

Future developments

The SUEZ R&R Group will continue to seek to grow through new contracts, both for industrial and commercial and public customers.

The Group has successfully tendered for the operation of a major municipal waste collection contract in Somerset, which commenced in April 2020. The contract with Somerset Waste Partnership is one of the largest collection contracts in the UK, providing collection and waste logistics services to more than 250,000 households across Somerset. The contract is for 10 years with a total revenue of £235m.

Engagement with employees

SUEZ R&R Group communicates to its employees through presentations, internal group-wide emails, newsletters, social media channels and blogs on our intranet. An annual employee conference, delivered at various local locations around the country, provides a briefing on the Group's performance, gives an update on any initiatives that are being introduced and allows individuals to raise questions and concerns.

The Board has direct engagement during site visits, Board presentations, informal lunches, social media channels and the blogs on our intranet, all of which give our employees the opportunity to interact with members of the Board and senior management.

'U Say', the Group's employee engagement survey, is carried out anonymously every two years to highlight areas of improvement. The Board considers the results of all employee engagement surveys a good barometer of the workforce's confidence in the Group's strategic direction, optimism in the future and career opportunities. In 2019 the Group improved its score in every one of the eight key factors when compared with the previous survey. 85% of our employees took the time to fill in the survey, achieving our highest engagement score to date and helped to raise £20,000 for our charity partner Macmillan Cancer Support.

In 2019, the Board started to send summaries of key themes from the Group Board meeting via our internal social media platform. Engagement with employees also takes place through works councils and various other committees and groups.

SUEZ Recycling and Recovery Holdings UK Ltd

Directors' report for the year ended 31 December 2019

Engagement with suppliers, customers and others

Customers

The Board engages with key customers and clients through the Regional Directors who provide the Board with regular information about customers in various reports produced throughout the business by the commercial and management teams.

Suppliers

The Group primarily engages with our suppliers via its website and procurement teams as well as through other business support functions including the commercial and legal teams.

The Board receives information through various Group's board reports produced throughout the business.

Other stakeholders

Other key stakeholders include the Government, Regulators and Local Authorities.

The Chief Executive, some directors and senior managers met with members of Government, other political parties and senior officials to provide an overview of the recycling and recovery industry and to provide feedback on potential changes being considered by the Government.

Members of Parliament visited a number of our sites during the year. The Government and Ministers gain a better understanding of the challenges facing the industry which will in turn potentially result in more favourable policies for our industry.

The Group's business is heavily regulated with a large number of our key clients being local authorities. We perform customer engagement surveys and the performance of the business is regularly reported to the Board and OpCom on a monthly basis. The findings are used to improve customer engagement with knowledge being shared across the Group. On all large contracts, the Group hosts local community events to engage with local stakeholders.

Environmental impact

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

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

In 2019 the SUEZ R&R UK Group:

- Provided municipal collection services for a population of 1,680,549 and 23,620 I&C customers, collecting a total of 1,536,435.06 tonnes;
- Handled a total of 10,334,293 tonnes:
 - 1,536,435.06 tonnes collected
 - 3,396,686 tonnes transferred
 - 5,401,171.809 tonnes treated (sum of waste treated: inputs counted)
- Recycled and/or recovered 4,206,013 tonnes:
 - 2,175,361.65 tonnes treated via EFW
 - Recycled 1,001,424.97 tonnes
 - Produced 71,397.34 tonnes compost
 - Recycled and/or recovered 360,994.30 tonnes wood
 - Produced 176,051.8 tonnes Solid Recovered Fuels (SRF)
 - Produced 420,782.95 tonnes Refuse Derived Fuels (RDF)
- Reduced waste to disposal to 620,023.20 tonnes
- Generated 1,573,075.53 MWh of electricity from our landfill gas and energy from waste facilities
- Restored 25.8 ha of landfill and planted 259 trees

SUEZ Recycling and Recovery Holdings UK Ltd

Directors' report for the year ended 31 December 2019

- Helped our customers avoid -1,860,140.54 tCO₂ (through recycling, recovery and electricity/thermal energy generation)

Disabled employees

Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

Matters covered in the strategic report

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

Disclosure of information to auditor

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

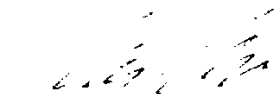
- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that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

Re-appointment of auditor

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

This report was approved by the board on 5 March 2021 and signed on its behalf.

C Thorn
Director



SUEZ Recycling and Recovery Holdings UK Ltd

Independent auditor's report to the member of SUEZ Recycling and Recovery Holdings UK Ltd

Opinion

We have audited the financial statements of SUEZ Recycling and Recovery Holdings UK Ltd (the 'parent company') and its subsidiaries ('the group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive income, Consolidated and Company Statement of financial position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Impairment of service concession financial asset

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the carrying value of the service concession financial assets. This is due to a materiality uncertainty over whether a facility has successfully passed a test of reliability under a customer contract, as the Independent Certifier has not yet provided the Group with the relevant certificate of acceptance at the date of this audit report.

If Independent Certifier does not provide the certificate of Acceptance in respect of the test of reliability performed in 2020 a further impairment would be required. No further impairment charge has been recognised in the financial statements at the present time in relation to this.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

SUEZ Recycling and Recovery Holdings UK Ltd

Independent auditor's report to the member of SUEZ Recycling and Recovery Holdings UK Ltd

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report

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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

SUEZ Recycling and Recovery Holdings UK Ltd

Independent auditor's report to the member of SUEZ Recycling and Recovery Holdings UK Ltd

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Jonathan Seaman (Senior statutory auditor)
for and on behalf of
Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: Mar 5, 2021

SUEZ Recycling and Recovery Holdings UK Ltd

**Consolidated statement of comprehensive income
for the year ended 31 December 2019**

	Note	2019 £000	2018 £000
Revenue	5	784,111	719,791
Cost of sales		<u>(669,130)</u>	<u>(602,318)</u>
Gross profit		114,981	117,473
Administrative expenses		(96,972)	(82,613)
Impairment charge on property, plant & equipment	16	(10,180)	(11)
Other operating income	6	29,215	-
		<u></u>	<u></u>
Operating profit	7	37,044	34,849
Finance income	11	20,921	27,834
Finance costs	12	(28,500)	(28,969)
Other gains and losses	13	(13,502)	(21,125)
Share of loss of associates and joint ventures	17	(2,054)	(4,813)
Profit on ordinary activities before taxation		13,909	7,776
Taxation	14	<u>(26)</u>	<u>(4,142)</u>
Profit for the year		13,883	3,634
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Actuarial (losses)/gains related to pension scheme	31	(4,258)	3,670
Deferred tax attributable to actuarial (losses)/gains		724	(624)
Items that will be reclassified to profit and loss			
Changes in fair value of cash flow hedges		-	289
Deferred tax attributable cash flow hedge reserve movements		-	(49)
Changes in fair value hedge reserve relating to associates		(8,937)	10,305
Deferred tax attributable to hedge reserve movements relating to associates		1,519	(1,752)
		<u></u>	<u></u>
Total comprehensive income for the year		<u>2,931</u>	<u>15,473</u>
Profit attributable to:			
Owners of the parent		13,883	3,564
Non-controlling interests		-	70
		<u>13,883</u>	<u>3,634</u>
Total comprehensive income attributable to:			
Owners of the parent		2,931	15,403
Non-controlling interests		-	70
		<u>2,931</u>	<u>15,473</u>

All profit and comprehensive income is attributable to continuing operations

SUEZ Recycling and Recovery Holdings UK Ltd

**Consolidated statement of financial position
as at 31 December 2019**

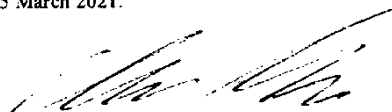
	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets and goodwill	15	167,290	167,654
Property, plant & equipment	16	278,741	259,868
Investments	17	4	4
Investments in associates and joint ventures	17	2,597	5,120
Financial assets	19	<u>202,309</u>	<u>209,841</u>
		650,941	642,487
Current assets			
Inventories	18	12,549	9,419
Financial assets	19	6,128	5,396
Trade and other receivables	19	425,737	388,697
Cash and cash equivalents	20	<u>12,531</u>	<u>32,693</u>
		456,945	436,205
Current Liabilities			
Interest bearing loans and borrowings	21	(35,754)	(27,126)
Trade and other payables	21	(291,225)	(284,452)
Corporation tax payable	21	<u>(1,218)</u>	<u>(1,565)</u>
		(328,197)	(313,143)
Net current assets		<u>128,748</u>	<u>123,062</u>
Total assets less current liabilities		779,689	765,549
Non-current Liabilities			
Interest bearing loans and borrowings	22	(277,591)	(272,752)
Other non-current financial liabilities	22	(7)	(41)
Provisions for liabilities			
Deferred tax liability	24	(9,029)	(9,416)
Provisions	26	<u>(94,104)</u>	<u>(90,017)</u>
Net assets excluding pension scheme liabilities		398,958	393,323
Net defined benefit pension scheme liability	31	<u>(13,639)</u>	<u>(10,598)</u>
Total net assets		<u>385,319</u>	<u>382,725</u>

SUEZ Recycling and Recovery Holdings UK Ltd

**Consolidated statement of financial position
as at 31 December 2019 (continued)**

	Note	2019 £000	2018 £000
Equity			
Called up share capital	27	373,741	373,741
Share premium account	28	14,471	14,471
Capital redemption reserve	28	3,457	3,457
Hedging reserve	28	(57,466)	(50,048)
Other reserves	28	11,793	11,793
Retained earnings	28	<u>39,323</u>	<u>29,027</u>
Total shareholder's equity		385,319	382,441
Non-controlling interests		<u>-</u>	<u>284</u>
Total equity		<u>385,319</u>	382,725

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 March 2021.



C Thorn
Director

SUEZ Recycling and Recovery Holdings UK Ltd
Registered number: 03475737

Company statement of financial position
as at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant & equipment	16	22,157	27,606
Investments	17	538,566	538,566
Financial assets	19	240,769	250,002
Deferred tax	24	<u>560</u>	<u>847</u>
		802,052	817,021
Current assets			
Trade and other receivables	19	825,260	814,820
Corporation tax recoverable	19	1,336	1,886
Cash and cash equivalents	20	<u>11,136</u>	<u>30,562</u>
		837,732	847,268
Current liabilities			
Interest bearing loans and borrowings	21	(23,327)	(24,178)
Trade and other payables	21	<u>(988,162)</u>	<u>(979,049)</u>
		(1,011,489)	(1,003,227)
Net current liabilities		(173,757)	(155,959)
Total assets less current liabilities		628,295	661,062
Non-current Liabilities			
Interest bearing loans and borrowings	22	(229,316)	(262,359)
Provisions for liabilities			
Provisions	26	<u>(400)</u>	<u>(738)</u>
Net assets excluding pension scheme assets		398,579	397,965
Defined benefit pension scheme asset	31	<u>3,306</u>	<u>2,884</u>
Net assets		401,885	400,849
Equity			
Called up share capital	27	373,741	373,741
Share premium account	28	14,471	14,471
Capital redemption reserve	28	3,457	3,457
Retained earnings	28	<u>10,216</u>	<u>9,180</u>
Total equity		401,885	400,849

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 March 2021.



C Thorn
Director

SUEZ Recycling and Recovery Holdings UK Ltd

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2019**

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Other reserves £000	Retained Earnings £000	Total share- holders' equity £000	Non- controlling interests £000	Total equity £000
Balance at 1 January 2019	373,741	14,471	3,457	(50,048)	11,793	29,027	382,441	284	382,725
Total comprehensive income for the year									
Profit	-	-	-	-	-	13,883	13,883	-	13,883
Other comprehensive loss	-	-	-	(7,418)	-	(3,534)	(10,952)	-	(10,952)
Comprehensive income	-	-	-	(7,418)	-	10,349	2,931	-	2,931
Share based payments	-	-	-	-	-	4	4	-	4
Transactions with non-controlling interests	-	-	-	-	-	(57)	(57)	(284)	(341)
Balance at 31 December 2019	373,741	14,471	3,457	(57,466)	11,793	39,323	385,319	-	385,319
Balance at 1 January 2018 (as previously stated)	373,741	14,471	3,457	(58,841)	11,793	18,097	362,718	214	362,932
Adjustments on initial application of IFRS 9 & IFRS 15	-	-	-	-	-	4,312	4,312	-	4,312
Balance at 1 January 2018 (restated)	373,741	14,471	3,457	(58,841)	11,793	22,409	367,030	214	367,244
Total comprehensive income for the year									
Profit	-	-	-	-	-	3,564	3,564	70	3,634
Other comprehensive income	-	-	-	8,793	-	3,046	11,839	-	11,839
Comprehensive income	-	-	-	8,793	-	6,610	15,403	70	15,473
Share based payments	-	-	-	-	-	8	8	-	8
Balance at 31 December 2018	373,741	14,471	3,457	(50,048)	11,793	29,027	382,441	284	382,725

SUEZ Recycling and Recovery Holdings UK Ltd

**Company Statement of Changes in Equity
for the year ended 31 December 2019**

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total share-holders' equity £000
Balance at 1 January 2019	373,741	14,471	3,457	9,180	400,849
Total comprehensive income for the year					
Profit	-	-	-	679	679
Other comprehensive income	-	-	-	353	353
Comprehensive income	-	-	-	1,032	1,032
Share based payments	-	-	-	4	4
Balance at 31 December 2019	373,741	14,471	3,457	10,216	401,885
Balance at 1 January 2018	373,741	14,471	3,457	7,704	399,373
Total comprehensive income for the year					
Profit	-	-	-	733	733
Other comprehensive income	-	-	-	735	735
Comprehensive income	-	-	-	1,468	1,468
Share based payments	-	-	-	8	8
Balance at 31 December 2018	373,741	14,471	3,457	9,180	400,849

SUEZ Recycling and Recovery Holdings UK Ltd

**Consolidated cash flow statement
for the year ended 31 December 2019**

	2019	2018
	£000	£000
Operating activities		
Profit before tax	13,909	7,776
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	29,972	29,428
Amortisation and impairment of intangible assets	5,738	5,036
Impairment of property, plant and equipment	10,180	-
Share-based payment expense	4	8
(Gain)/loss on disposal of property, plant and equipment	(880)	253
Finance income	(20,921)	(27,834)
Finance costs	28,500	28,969
Other gains and losses	13,502	21,125
Share of profit of an associate and a joint venture	2,054	4,813
Movements in provisions and pensions	5,454	(5,608)
Construction loss recognised on concession arrangements	-	1,298
Working capital adjustments:		
Increase in trade and other receivables and prepayments	(20,755)	(13,348)
Increase in inventories	(3,130)	(1,468)
Increase in trade and other payables	3,996	17,231
Increase/(decrease) in balances with group companies	1,451	(27,851)
Decrease/(increase) in non-current assets	1,720	(847)
Interest received	1,579	4,452
Interest and commitment fees paid	(30,061)	(31,885)
Income tax paid	-	(1,302)
Net cash flows from operating activities	42,312	10,246
Investing activities		
Proceeds from sale of property, plant and equipment	3,912	657
Purchase of property, plant and equipment	(25,431)	(28,034)
Purchase of intangibles	(5,373)	(1,039)
Decrease in concession financial asset	952	16,841
Increase/decrease in loans provided to associate companies	6,284	6,915
Dividend from joint venture and associate	5,369	3,374
Net cash flows used in investing activities	(14,287)	(1,286)
Financing activities		
Increase in loans and borrowings from group undertakings	(33,894)	(15,597)
Decrease in lease liabilities	(14,293)	(2,309)
Decrease in bank loans	-	(6,038)
Net cash flows (used in)/from financing activities	(48,187)	(23,944)
Net decrease in cash and cash equivalents	(20,162)	(14,984)
Cash and cash equivalents at 1 January	32,693	47,677
Cash and cash equivalents at 31 December	12,531	32,693
Cash and cash equivalents represent		
Cash	12,531	32,693
Overdraft	-	-
	12,531	32,693

SUEZ Recycling and Recovery Holdings UK Ltd

**Company cash flow statement
for the year ended 31 December 2019**

	2019	<i>2018</i>
	£000	<i>£000</i>
Operating activities		
Profit/(Loss) before tax	1,018	214
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	2,041	3,029
Share-based payment expense	4	8
Profit on disposal of property, plant and equipment	(54)	-
Finance income	(24,692)	(23,416)
Finance costs	24,205	25,893
Movements in provisions and pensions	(336)	(2,294)
Working capital adjustments:		
Decrease/(increase) in trade and other receivables and prepayments	(2,072)	17,024
Decrease/(increase) in balances with group companies	1,452	10,306
(Increase)/decrease in trade and other payables	(284)	11,611
Interest received	24,692	23,416
Interest and commitment fees paid	(24,295)	(25,894)
Income tax paid	-	(1,302)
Net cash flows from operating activities	1,679	38,595
Investing activities		
Proceeds from sale of property, plant and equipment	60	-
Purchase of property, plant and equipment	(3,317)	(9,241)
Decrease in loans to group undertakings	15,886	8,089
Dividends received	160	-
Net cash flows used in investing activities	12,789	(1,152)
Financing activities		
Decrease in loans and borrowings from group undertakings	(33,894)	(15,597)
Net cash flows from financing activities	(33,894)	(15,597)
Net increase in cash and cash equivalents	(19,426)	21,846
Cash and cash equivalents at 1 January	30,562	8,713
Cash and cash equivalents at 31 December	11,136	30,559
Cash and cash equivalents represent		
Cash	11,136	30,559
Overdraft	-	-
	11,136	30,559

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

1. General Information

SUEZ Recycling and Recovery Holdings UK Ltd is a limited company incorporated in England and Wales and domiciled in the United Kingdom. These financial statements cover the consolidation of the entity and its subsidiaries. The address of its registered office and principal place of business is SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

The principal activity of the SUEZ Recycling and Recovery Holdings UK Ltd Group ("SUEZ R&R Group") is waste management, including the provision of municipal services, industrial and commercial waste collections, landfill, recycling waste and the operation of energy-from-waste facilities.

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

The largest group of which SUEZ Recycling and Recovery Holdings UK Ltd is a member and for which Group financial statements are drawn up is that headed by SUEZ SA, whose consolidated financial statements are available from Tour CB21, 16 Place de la Trinité, 92040 Paris la Défense Cedex, France.

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

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act 2006 and The Large and Medium sized Companies and Groups Regulations 2008/410 ("Regulations").

The company and consolidated financial statements have been prepared using the historical cost convention, except for financial instruments that are accounted for according to the financial instrument categories defined by IFRS 9. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies (see note 3).

2.2 Basis of consolidation

The financial statements consolidate the accounts of SUEZ Recycling and Recovery Holdings UK Ltd and all of its subsidiary undertakings ('subsidiaries').

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006. The profit for the year was £679,000 (2018- £774,000).

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

2.3 Going Concern

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

The SUEZ R&R UK Group is managed as a single business on a day to day basis, therefore the Company going concern assessment is intrinsically linked to the overall Group's going concern assessment.

The UK Group benefits from a current account overdraft facility from the French parent company (SUEZ SA) to finance day to day activities. It also benefits from long term loans from SUEZ SA regarding some of our major infrastructure projects. The loans are subject to contractual terms and repayment schedules in line with the operational activities of the infrastructure that they finance. We consider it highly unlikely that SUEZ SA would cancel the overdraft facility that we have in place.

However, should this unlikely event occur, we believe we would be able to replace the facility with external debt thanks to our strong credit reputation and relationships with UK banks. The UK Group currently has no external (non Group) loans in place. The impact of COVID-19 has been assessed and factored into the cashflow forecasts for the UK Group and it is not expected that the overdraft facility with SUEZ SA will be breached in the next 12 months, with adequate headroom for any unknown events.

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

2.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable once performance obligations have been fulfilled. Turnover is reduced for value added taxes and trade discounts and commodity rebates. The methodology and assumptions for the calculations of trade discounts and commodity rebates are monitored and adjusted regularly with reference to contractual and legal obligations, historical trends, past experiences and projected market conditions. The nature of the service provided by the Group means that returns or refunds are extremely limited. Landfill Tax is included within both revenue and cost of sales.

Sale of Recyclates

Revenue from the sale of recyclates is recognised when the performance obligation has been met, the goods are delivered and titles have passed and therefore at a point in time.

Disposal of Waste

Revenue from waste processing, treatment and landfill facilities is recognised when the performance obligation has been met which is deemed to be when waste is physically received at the Group sites.

Collection revenues are recognised at the point of collection from customer sites. For municipal collections, revenue is recognised in accordance with quantities specified in the customer contracts.

Operation and maintenance revenue is measured by a contractual fixed and variable fee. Differences between the amounts recognised in the income statement and amount invoiced at the period end are shown in the statement of financial position as a contract asset or contract liability.

Electricity Revenue

Energy generation revenue is recognised at the point that power is supplied to the customer based on the quantity of units supplied.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

Construction Revenue

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

Transaction prices are derived by underlying contractual arrangements. Where multiple performance obligations exist, the transaction price is allocated on an estimate based on expected costs plus a margin.

There are no constraints for the group over variable revenue considerations.

2.5 Goodwill

Recognition of goodwill

Goodwill is measured as being the amount by which the total of:

- i. The consideration transferred;
- ii. The amount of any non-controlling interest in the acquired company; and
- iii. In a business combination achieved in stages, the fair value at acquisition-date of the previously held interests in the acquired company;

Exceeds the accounting net balance of identifiable assets acquired and liabilities assumed.

The amount of goodwill recognized at the acquisition date cannot be adjusted after the end of the measurement period.

Goodwill relating to associates and joint ventures are recorded respectively under 'Investments in associates' and 'Investments in joint ventures'.

Measurement of goodwill

Goodwill is not amortized but is tested for impairment each year, or more frequently when an indication of impairment is identified. Impairment tests are carried out at the level of cash-generating units (CGUs), which constitute groups of assets generating cash inflows that are largely independent of the cash inflows from other cash-generating units.

The methods used to carry out these impairment tests are described in Note 2.21 'Impairment of property, plant and equipment and intangible assets'.

Impairment losses in relation to goodwill cannot be reversed and are shown under Impairment in the income statement. Impairment losses on goodwill relating to associates and joint ventures are respectively reported under 'Share of profit/loss of associates and joint ventures'.

2.6 Other intangible assets

Intangible assets other than goodwill are split into concession agreements and other finite intangible assets

Concession agreements

Concession agreement intangible assets relate to amounts paid or payable as consideration for rights relating to concession arrangements or public service contracts. Such assets are assessed as having a finite useful economic life of 25 years amortised on a straight line basis from the date the related facilities are operational, to reflect the expected pattern of consumption of the expected future economic benefits embodied in the asset. Amortisation is recognised within cost of sales on the statement of comprehensive income.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

Other finite intangible assets

Other finite intangible assets are largely made up of waste collection rounds acquired by the group. Such assets are assessed as having a finite useful economic life of between 10 and 25 years amortised on a straight-line basis. Amortisation is recognised within administrative expenses on the statement of comprehensive income.

2.7 Property, plant & equipment and depreciation

Property, plant & equipment are stated at cost less depreciation.

Cost includes the costs that are directly attributable to bringing the asset into working condition for its intended use and include the borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Freehold property - land and buildings	-	10 - 30 years, straight line (land is not depreciated)
Freehold property - airspace	-	On the basis of airspace used and minerals extracted
Leasehold land and buildings	-	Lease term
Landfill and quarry engineering	-	On the basis of airspace used and minerals extracted
Plant and machinery	-	3 - 30 years, straight line
Motor vehicles	-	3 - 15 years, straight line
Fixtures and fittings	-	3 - 15 years, straight line
Assets under construction	-	Depreciation commences upon completion of asset

2.8 Investments

Company

Subsidiary undertakings

Investments in subsidiaries are valued at cost less provision for impairment.

Group

Associated and Joint venture undertakings

Investments in associates and joint ventures are stated at the amount of the Group's share of net assets. The profit and loss account includes the Group's share of the associated and joint venture companies' profits after taxation using the equity accounting basis.

Other fixed asset investments

Other fixed asset investments are measured at fair value.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

2.9 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.21.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The company has the right to opt for renewal or termination on certain property and equipment leases it has signed as lessee, and uses its judgment to determine if there are strong economic incentives to exercise them and therefore include the lease payments within the lease liability calculation.

2.10 Financial instruments

The Group 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 Group recognises its financial assets at amortised cost using the effective interest rate method, less provision for impairment.

The Group assesses possible increase in credit risk for financial assets measured at amortised cost at the end of each reporting period. For trade receivables the simplified approach is used, and the loss allowance is measured at the estimate of the lifetime expected credit losses. The amount of any loss allowance is recognised in profit or loss.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The expected credit losses are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast future conditions at the reporting date.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Financial liabilities

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

At amortised cost

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

2.11 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the profit and loss.

The associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

2.12 Services concession financial asset

In accordance with IFRIC 12 and the various provisions of IFRS, the Group has determined the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts. Results of all service concessions which fall within the scope of IFRIC 12 conform to the following policies depending on the rights to consideration under the service concessions:

Service concessions treated as financial assets

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

Revenue is recognised by allocating a proportion of total cash receivable to construction income and service income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable. Construction revenue is based on cost incurred plus a predicted profit margin.

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

The financial assets are held as loans or receivables in accordance with IFRS 9: 'Financial instruments: Recognition and measurement'. Financial assets are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method less any impairment losses.

The Group has entered into a number of contracts to provide waste management services on behalf of local authorities ('the customer'). The Group is contractually obliged to design, build and operate waste facilities, including household waste recycling centres, materials recycling centres, civic amenity sites, transfer stations and an Energy from Waste plant on behalf of the customer, and has the right to use these facilities to provide waste management services. The grantor (the customer) has agreed to provide a minimum guaranteed tonnage of waste to the facility and will pay a fixed price per tonne for this level of waste, with any further tonnage being subject to a different rate. The Group in return, will remove and treat the waste and is obliged to maintain the facilities under lifecycle clauses within the contract.

The Group has the right to both accept and process third party waste, and for some contracts to generate electricity revenues at the waste facilities.

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

For some service arrangements the Group has the contractual right to charge users of the public service; to reflect this an intangible asset is recognised as detailed in 2.6.

2.13 Inventories

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

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

2.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.15 Foreign currencies

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

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

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

2.16 Research and development

Research expenditure is written off in the year in which it is incurred.

2.17 Pensions

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

The Company is the sponsoring entity for a number of defined benefit pension schemes and the pension charge is based on full actuarial valuations dated between 31 December 2018 and 5 April 2019.

In accordance with IAS 19 'Employee benefits', the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long-term expected returns on assets (based on the market value of the scheme assets at the start of the period) is included in the profit and loss account under 'Net finance charge on pension scheme obligations'.

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any difference between the expected return on assets that is actually achieved is recognised as other comprehensive income along with differences arising from experience or assumption changes.

2.18 Provisions for environmental and landfill costs and landfill gas revenues

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

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

Closure costs:

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

Post closure costs:

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

Post-closure provisions have been shown at net present value. The current cost estimated has been inflated at 2.90% (2018 - 2.90%) and discounted by between 2.75% and 5.76% (2018 - between 2.72% and 5.76%). The unwinding of the discount element is shown in the financial statements as a financial item.

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

2.19 Equity settled share-based payments

In accordance with IFRS 2, 'Share-based Payments', the cost of share options issued by SUEZ Recycling and Recovery Holdings UK Ltd's ultimate parent company SUEZ SA, to the Group's employees is charged to the profit and loss account over the performance and vesting periods of the instruments. The cost is based on the fair value of the awards made at the date of the grant adjusted for the number of awards expected to vest. The credits associated with the amounts charged to the profit and loss account are included in retained earnings/losses.

2.20 Capitalisation of finance costs

The interest and finance costs attributable to the financing of separately identifiable major capital projects prior to the date of completion, meeting the criteria of qualifying assets, are capitalised and depreciated over the useful economic life of the project.

2.21 Impairment of property, plant & equipment and intangible assets

In accordance with IAS 36, impairment tests are carried out on intangible assets and on property, plant and equipment whenever there is an indication that the assets may be impaired. Such indications may be based on events or changes in the market environment, or on internal sources of information. Intangible assets that are not amortised are tested for impairment annually.

Impairment indicators

This impairment test is only carried out for property, plant and equipment and intangible assets for the defined useful lives when there are indications of an alteration in their value. In general, this arises as a result of significant changes in the operational environment of the assets or from a poorer than expected economic performance.

The main indications of impairment used by the Group are:

- external sources of information:
 - significant changes in the economic, technological, political or market environment in which the entity operates or to which the asset is dedicated,
 - fall in demand;
- internal sources of information:
 - evidence of obsolescence or physical damage not budgeted for in the depreciation/amortization schedule,
 - worse-than-expected performance.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

Impairment

Items of property, plant and equipment or intangible assets are tested for impairment at the level of the individual asset or cash-generating unit as appropriate, determined in accordance with IAS 36. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment loss. Upon recognition of an impairment loss, the depreciable amount – and possibly the useful life – of the asset concerned is revised.

Impairment losses recorded in relation to property, plant and equipment or intangible assets may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized in prior periods.

Measurement of recoverable amount

In order to review the recoverable amount of property, plant and equipment and intangible assets, the assets are, where appropriate, grouped into cash-generating units (CGUs) and the carrying amount of each unit is compared with its recoverable amount.

For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount of a CGU corresponds to the higher of its fair value less costs to sell and its value in use. Value in use is primarily determined based on the present value of future operating cash flows and a terminal value. Standard valuation techniques are used based on the following main economic data:

- discount rates based on the specific characteristics of the operating entities concerned;
- terminal values in line with the available market data specific to the operating segments concerned and growth rates associated with these terminal values, not to exceed inflation.

Discount rates are determined on a post-tax basis and applied to post-tax cash flows. The recoverable amounts calculated on the basis of these discount rates are the same as the amounts obtained by applying the pre-tax discount rates to cash flows estimated on a pre-tax basis, as required by IAS 36.

For operating entities which the Group has decided to sell, the related carrying amount of the assets concerned is written down to the estimated market value less costs of disposal. When negotiations are ongoing, this is determined based on the best estimate of their outcome as of the reporting date.

In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under impairments.

2.22 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares in the Company or subsidiaries of the Group are classified as liabilities.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

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

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

The key estimates used by the Group in preparing the financial statements relate mainly to the below; carrying amounts at the balance sheet dates can be found in the notes as referred to below:

- The measurement of:
 - the recoverable amount of goodwill and intangible assets. (note 15 – Dec 2019: £167,290,000)
 - the measurement of the recoverable amount of property, plant and equipment (note 16 – Dec 2019: £278,741,000).
 - the measurement of the recoverable amount of investments (note 17 – Dec 2019: £2,601,000).

Judgement is applied in respect of identifying and measuring impairment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. See note 2.21 for more detail.

- The recoverable amount of inventories (note 18 – Dec 2019: £12,549,000).
The judgement of whether the carrying value of the inventory exceeds its recoverable amount.
- The measurement of financial instruments (note 25 – Dec 2019: Financial Assets: £643,812,000, Financial Liabilities: £604,576,000).
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgement is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
- The measurement of provisions (note 26) and the consideration of whether provision is required. See note 2.18 for detail of measurement, judgements and estimates used. (Dec 2019: £94,104,000)
- The judgement of whether a contract falls under IFRIC 12 and then the classification of concession arrangements between the concession debtor model, the intangible asset model and the bifurcated model, along with the basis on which cash received under concession arrangements is recognised (notes 15 and 19 – Dec 2019: Intangible Asset: £97,324,000, Concession Debtor: £128,199,000).
- Pension obligations are measured on the basis of actuarial calculations. (Note 31 – Dec 2019: Liability £13,639,000). The Group considers that the assumptions used to measure its obligations are appropriate and documented. However, any change in these assumptions may have a material impact on the resulting calculations.
- Judgement in applying IFRS 15. The group estimates the fair value of the transaction price allocated to each separate performance obligations based on historical experiences of services rendered in similar circumstances. The main judgement relate to the service concession arrangements see note 2.12 for more detail.

As well as relying on estimates, the Group's management also makes judgments to define the appropriate accounting treatment to apply to certain activities and transactions, when the effective IFRS standards and interpretations do not specifically deal with the related accounting issue.

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Notes to the financial statements for the year ended 31 December 2019

This particularly applies in relation to the recognition of concession arrangements.

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

At the date of signing the financial statements, the Group has an ongoing dispute with a key public sector customer (the Customer). The dispute stems from a different contractual interpretation of the trigger for 'Acceptance' of an New Development Project's facilities, including Facility A and Facility B. On 'Acceptance' the Group is entitled to start to be paid by the Customer for building these new facilities (the 'Increased Payments'):

- The Group's interpretation is that 'Acceptance' occurs on the Works subcontractor achieving agreed performance tests for each of Facility A and Facility B. This was achieved in 2019 for Facility A and in 2020 for Facility B and was confirmed by an Independent Testing Agency (as the Works subcontract requires) and there is no dispute between the Group and the Works subcontractor in relation to this.
- The Customer's interpretation is that for the respective agreed performance test to amount to 'Acceptance' each of Facility A and Facility B must successfully complete a test of reliability as set out in the Works subcontract.

The Group accounts for its relevant contract as a concession arrangement under IFRIC12 and has recognised a financial asset measured at amortised cost. The Group have recognised impairment losses (see note 13) in respect of the period from the year end date to the date the performance tests were passed.

Reflected in the financial statements for the year ended 31 December 2019 is a further provision (note 13) for the impairment of the concession debtor for £9.6m, which is the value of the Increased Payments in dispute for the period from agreed performance tests being achieved for Facility B and the related test of reliability being completed. At the date of signing these financial statements, the Independent Certifier has not yet provided the Group with the relevant certificate of Acceptance. If it is determined that the Independent Certifier does provide the relevant certificate on the basis that the related test of reliability is confirmed as successfully completed in 2020, then the £9.6m covers the maximum exposure that the Group has for the Increased Payments not yet recovered. If the relevant test of reliability is not so confirmed, further provision may be required for unrecovered increased payments.

The Group and the Customer are actively seeking resolution to the matter in line with the provisions of their contract.

4. IFRSs issued

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements for the year ended 31 December 2019 with the exception of IFRS 16 - 'Leases' whose impact is disclosed below:

- 'Annual Improvements to IFRS Standards 2015–2017 Cycle,' 1 January 2019.
- 'Prepayment Features with Negative Compensation (Amendments to IFRS 9)' 1 January 2019.
- 'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)' 1 January 2019.
- 'Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)' 1 January 2019.
- IFRIC 23 'Uncertainty over Income Tax Treatments' 1 January 2019.
- IFRS 16 'Leases' 1 January 2019.

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Company's financial statements:

- 'Definition of a Business (Amendments to IFRS 3)' 1 January 2020.
- 'Definition of Material (Amendments to IAS 1 and IAS 8)' 1 January 2020.

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4. IFRSs issued (continued)

IFRS 16

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

Statement of financial position (extract)

	31 December 2018	IFRS16	1 January 2019 Adjusted balance
	£000	£000	£000
Non-current assets			
Intangible assets and goodwill	167,654	-	167,654
Property, plant & equipment	259,868	48,457	308,325
Investments	4	-	4
Investments in associates and joint ventures	5,120	-	5,120
Financial assets	<u>209,841</u>	-	<u>209,841</u>
	642,487	48,457	690,944
Current assets			
Inventories	9,419	-	9,419
Financial assets	5,396	-	5,396
Trade and other receivables	388,697	497	389,194
Cash and cash equivalents	<u>32,693</u>	-	<u>32,693</u>
	436,205	497	436,702
Current Liabilities			
Interest bearing loans and borrowings	(27,126)	(9,998)	(37,124)
Trade and other payables	(284,452)	-	(284,452)
Corporation tax payable	<u>(1,565)</u>	-	<u>(1,565)</u>
	(313,143)	(9,998)	(323,141)
Net current assets	<u>123,062</u>		<u>113,562</u>
	765,549		804,506

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Total assets less current liabilities

	31 December 2018	IFRS16	1 January 2019 Adjusted balance
Non-current Liabilities			
Interest bearing loans and borrowings	(272,752)	(38,956)	(311,708)
Other non-current financial liabilities	(41)	-	(41)
Provisions for liabilities			
Deferred tax liability	(9,416)	-	(9,416)
Provisions	<u>(90,017)</u>	-	<u>(90,017)</u>
Net assets excluding pension scheme liabilities	393,323		393,323
Net defined benefit pension scheme liability	<u>(10,598)</u>	-	<u>(10,598)</u>
Total net assets	<u>382,725</u>	-	<u>382,725</u>
Equity			
Called up share capital	373,741	-	373,741
Share premium account	14,471	-	14,471
Capital redemption reserve	3,457	-	3,457
Hedge reserve	(50,048)	-	(50,048)
Other reserves	11,793	-	11,793
Retained earnings	<u>29,027</u>	-	<u>29,027</u>
Total shareholder's equity	382,441	-	382,441
Non-controlling interests	<u>284</u>	-	<u>284</u>
Total equity	<u>382,725</u>	-	<u>382,725</u>

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The company used incremental borrowing with a range between 1.01% and 2.19% translating to a weighted average lessee's incremental borrowing rate of 1.7%.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

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**Notes to the financial statements
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- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

	2019
	£000
IAS 17 Operating lease commitments disclosed as at 31 December 2018	<u>59,513</u>
Discounted using the lessee's incremental borrowing rate of at the date of initial application	48,563
(Add): contracts transferred from other group companies	<u>391</u>
Lease liability recognised as at 1 January 2019	48,954
Of which are:	
Current lease liabilities	9,998
Non-current lease liabilities	<u>38,956</u>
	<u>48,954</u>

Contracts transferred from other group companies relate to commitments previously recognised in the entity which used the underlying asset and have, under IFRS16, been transferred to the entity which legally holds the lease agreement.

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5. Turnover

	2019	<i>2018</i>
	£000	<i>£000</i>
Recognised over time		
Construction revenue	11,963	3,482
Recognised at a point in time		
Disposal of waste	685,796	605,206
Sales of recyclates	45,798	73,621
Electricity Revenue	40,554	37,482
	784,111	719,791

In the case of Service Concession Revenue the customer pays a fixed plus variable amount based on the contractual terms. If the services rendered by the company exceed the payment, a contract asset is recognised, if the payments exceed the services rendered a contract liability is recognised.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £15,932,000.

Revenue recognised in the reporting period from performance obligations satisfied in previous periods amounted to £nil.

At the year end a total of £17,530,000 of revenue is still to be recognised in relation to remaining performance obligations that have partially been satisfied.

£1,851,000 of assets are currently recognised in relation to cost incurred to obtain or fulfil a contract under IFRS 15.

	2019	<i>2018</i>
	£000	<i>£000</i>
United Kingdom	773,937	714,784
Rest of European Union	4,821	2,285
Rest of world	5,353	2,722
	784,111	719,791

6. Other income

	2019	<i>2018</i>
	£000	<i>£000</i>
Other operating income	29,215	-

Other operating income relating to settlement claims settled after the balance sheet date. See note 35.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

7. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Service concession costs	17,496	4,680
Amortisation - intangible fixed assets	5,738	5,036
Depreciation of property, plant & equipment	29,568	29,417
Inventories recognised as an expense during the period	25,645	21,060
Foreign exchange losses	2	14
Auditor's remuneration *	438	447
Auditor's remuneration - audit related assurance services	—	—

* Auditors' remuneration relating to the audit of the Company financial statements is £25,000 (2018- £25,000).

The remainder is for the audit of the financial statements of subsidiaries of the group headed by SUEZ UK Group Holdings Limited.

There were no non-audit services provided in the year or prior year.

£7,800 was also incurred in relation to the audit of SUEZ R&R pension schemes (2018 - £7,000) and £105,200 in relation to the audit of associate and joint venture companies (2018- £73,200).

8. Staff costs

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	157,418	144,549
Social security costs	17,222	16,114
Other pension costs (Note 31)	14,818	11,904
	<u>189,458</u>	<u>172,567</u>

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

	Group 2019 No.	Company 2019 No.	Group 2018 No.	Company 2018 No.
Office and management	1,151	38	1,092	636
Operational	4,016	631	3,905	20
	<u>5,168</u>	<u>668</u>	<u>4,997</u>	<u>656</u>

All employees are employed by SUEZ Recycling and Recovery UK Limited and paid by SUEZ Recycling and Recovery Holdings UK Ltd.

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9. Directors' remuneration

	2019	2018
	£000	£000
Remuneration	<u>1,130</u>	1,554
Company pension contributions to defined benefit pension schemes	<u>77</u>	78

The highest paid director received remuneration of £632,000 (2018 - £963,000).

None of the directors exercised options over shares in the ultimate parent company in the year ended 31 December 2019 or the prior year.

10. Share based payments

Employee Share issues:

Sharing 2014:

In 2014, SUEZ launched a global employee shareholding plan, called Sharing. Details of this scheme are disclosed in previous SUEZ Recycling and Recovery Holdings UK Ltd financial statements.

The lock up period for this scheme ended in July 2019.

Sharing 2017:

In 2017, SUEZ launched its third global employee shareholding plan, called Sharing. Details of this scheme are disclosed in previous SUEZ Recycling and Recovery Holdings UK Ltd financial statements. 30,250 units were held at 31 December 2019.

Sharing 2019:

In 2019, SUEZ launched its fourth global employee shareholding plan, called Sharing. This employee share issue programme is part of the policy to increase employee shareholding and strengthen the relationship between SUEZ Environment and its employees by offering them the possibility of being more closely associated with the Group's growth and performance. Two formulas were offered:

A "Classic" formula, which includes a discount and employer contribution and in which the subscriber is exposed to movements in the share price. In the United Kingdom, a Share Incentive plan (SIP) was implemented. It allowed employees to subscribe at the average opening price for the 14 trading days between October 18 and November 7 2019 while benefitting from matching shares as well;

A "Multiple" formula, which allows employees to benefit from a leverage effect to supplement their personal contribution as well as a discounted subscription price. A swap agreement with the bank that structures the plan allows employees to benefit from a guarantee on their personal contribution and a guaranteed minimum return. In some countries (especially in the United States), the multiple formula was adapted to local laws and Share Appreciation Rights were granted as an alternative.

SIP rules required the CEO of SUEZ to set the subscription price at €11.84 in November 2019. The fair value of the matching shares has been calculated using the method described above. In this case, the shares are delivered immediately with no vesting period, but are subject to a 3 year lock-in period. 18,100 units were held at 31 December 2019.

During the year ended 31 December 2019, a charge of £4,000 was recognised regarding SUEZ employee share issue schemes (2018- £8,000).

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11. Finance income

	2019 £000	2018 £000
Group interest receivable	1,523	1,260
Interest income from service concession financial assets	10,613	13,375
Interest receivable from participating interests	8,729	10,008
Other interest receivable	56	3,191
Total interest receivable and similar income held at amortised cost	20,921	27,834

12. Finance costs

	2019 £000	2018 £000
Interest on group loans	20,445	22,512
Other interest payable	3,108	3,017
Lease interest	1,674	599
Total interest payable and similar expenses held at amortised cost	25,227	26,128
Discount on provisions	3,273	2,841
	28,500	28,969

13. Other gains and losses

	2019 £000	2018 £000
Interest on pension scheme assets	2,722	2,444
Interest on pension scheme liabilities	(2,893)	(2,751)
Loss on financial assets held at amortised costs	(12,631)	(20,818)
Other gains	8,900	-
Provision for the impairment of financial assets held at amortised costs	(9,600)	-
	(13,502)	(21,125)

The loss on financial assets held at amortised costs are net losses in relation to service concession financial assets and revaluation due to changes in timings and amounts of expected cashflows relating to delays in construction and commencement of operation. Other gains are the recognition of I.Ds from EPC contractor relating to these delays.

Provision for the impairment of financial assets held at amortised costs are in relation to disputes as detailed in note 3.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

14. Taxation

	2019	2018
	£000	£000
Analysis of tax charge in the year		
Current tax (see note below)		
Current tax charge	877	140
Adjustments in respect of prior periods	(1,188)	855
Total current tax	(311)	995
Deferred tax		
Origination and reversal of timing differences	2,702	1,548
Adjustment in respect of prior periods	(2,572)	1,704
In relation to defined benefit pension schemes	207	(105)
Total deferred tax	337	3,147
Tax on profit through income statement	26	4,142
Tax charged directly to equity		
Current tax	-	-
Deferred tax charge	(724)	673

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

14. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 – higher than) the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019 £000	2018 £000
Accounting profit before tax	13,909	7,776
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	2,643	1,477
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,206	691
Adjustments to tax charge in respect of prior periods	(3,760)	2,559
Share of profit of associates and joint ventures	390	915
Non-taxable income	(111)	(1,330)
Discount on tax losses	-	-
Changes in taxation rate	(342)	(170)
Total tax charge for the year	26	4,142

Factors that may affect future tax charges

Subsequent to the balance sheet date, the Finance Act 2020 was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. This change has not been recognised in these financial statements with deferred tax continuing to be recognised at 17%.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

15. Intangible fixed assets

Group	Concession arrangements £000	Goodwill £000	Software £000	Intangible Assets £000	Total £000
Cost					
At 1 January 2019	120,809	65,733	-	3,342	189,884
Additions	825	-	4,548	-	5,373
At 31 December 2019	<u>121,634</u>	<u>65,733</u>	<u>4,548</u>	<u>3,342</u>	<u>195,257</u>
Amortisation and impairment					
At 1 January 2019	19,441	429	-	2,360	22,230
Charge for the year	4,869	-	706	162	5,737
At 31 December 2019	<u>24,310</u>	<u>429</u>	<u>706</u>	<u>2,522</u>	<u>27,967</u>
Net book value					
At 31 December 2019	<u>97,324</u>	<u>65,304</u>	<u>3,842</u>	<u>820</u>	<u>167,290</u>
At 31 December 2018	<u>101,368</u>	<u>65,304</u>			<u>167,654</u>

As described in note 2.6, the concession arrangements intangible assets relate to amounts paid or payable as consideration for rights relating to concession arrangements under the contract with Suffolk County Council. This asset has useful life of 25 years with 20 years remaining until it is expected to be fully amortised.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

15. Intangible fixed assets (continued)

Group	Concession arrangements £000	Goodwill £000	Intangible Assets £000	Total £000
Cost				
<i>At 1 January 2018 (as previously stated)</i>	120,809	65,733	4,753	191,295
<i>On initial application of IFRS 15</i>	-	-	(2,450)	(2,450)
<i>At 1 January 2018 (restated)</i>	120,809	65,733	2,303	188,845
<i>Additions</i>	-	-	1,039	1,039
<i>At 31 December 2018</i>	<u>120,809</u>	<u>65,733</u>	<u>3,342</u>	<u>189,884</u>
Amortisation and impairment				
<i>At 1 January 2018 (as previously stated)</i>	14,571	429	2,327	17,327
<i>On initial application of IFRS 15</i>	-	-	(133)	(133)
<i>At 1 January 2018 (restated)</i>	14,571	429	2,194	17,194
<i>Charge for the year</i>	4,870	-	166	5,036
<i>At 31 December 2018</i>	<u>19,441</u>	<u>429</u>	<u>2,360</u>	<u>22,230</u>
Net book value				
<i>At 31 December 2018</i>	<u>101,368</u>	<u>65,304</u>	<u>982</u>	<u>167,654</u>
<i>At 31 December 2017</i>	106,238	65,304	2,426	173,968

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

15. Intangible fixed assets (continued)

Impairment review of goodwill

The Group reviews at each reporting period whether there are any indicators of impairment in accordance with IAS 36 Impairment of Assets. An annual impairment review is completed by comparing the carrying amount of the goodwill for each Cash generating Unit (CGU) to its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the carrying amount, an impairment loss is allocated, first to reduce the carrying amount of the goodwill and then to the assets of the cash-generating unit. In the current year all CGUs have been valued on the basis of value in use, rather than fair value less costs of disposal on the basis that it is the higher of the two valuations.

The key assumptions when calculating the value in use are forecast revenue and costs. Management's calculation of value in use has been developed from forecast five year cash flows which are prepared on the basis of past performance, expectation of future performance and market information and a consistent growth rate thereafter, based on the underlying assets of each division.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates growth at 2.5% thereafter for 5 years before using the terminus value, using a discount rate of 6.2% (2018: 6.2%). Adjustments are made for CGUs that have finite useful lives in terms of landfill sites.

Of the total net book value £65,304,000, £54,299,000 relates to goodwill on the acquisition relating to United Waste, the trade from which is considered to be one CGU. The calculated recoverable value of this goodwill is £217,927,000. Sensitivity analysis shows that the discount rate would need to increase to 23% for the recoverable amount to be equal to the net book value. Of the remaining goodwill, no significant amounts are attached to any one particular CGU.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

16. Property, plant and equipment

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost						
At 1 January 2019	407,795	328,834	51,587	33,404	16,562	838,182
Additions	3,610	5,582	1,356	2,368	5,270	18,186
Disposals	(8,341)	(23,358)	(16,357)	(288)	(2,924)	(51,268)
Transfer intra-group	-	(55)	-	-	-	(55)
Transferred to intangible assets	-	-	-	-	(3,198)	(3,198)
Transfer between classes	513	1,397	1,455	715	(4,080)	-
Transfer between cost and depreciation	933	-	-	-	-	933
Right of use assets – on initial application of IFRS 16	31,079	7,248	10,130	-	-	48,457
Right of use assets - Additions	2,073	952	8,883	-	-	11,908
Right of use assets - Disposals	(1,074)	(173)	(218)	-	-	(1,465)
At 31 December 2019	436,588	320,427	56,836	36,199	11,630	861,680
Depreciation						
At 1 January 2019	303,846	212,544	36,319	25,605	-	578,314
Charge for the year	6,088	16,806	4,477	2,601	-	29,972
On disposals	(7,456)	(22,362)	(16,372)	(286)	-	(46,476)
Transfer between cost and depreciation	933	-	-	-	-	933
Right of use - charge for the year	3,558	2,997	4,044	-	-	10,599
Right of use - on disposal	(196)	(173)	(214)	-	-	(583)
Impairment charge	4,716	5,093	292	79	-	10,180
At 31 December 2019	311,489	214,905	28,546	27,999	-	582,939
Net book value						
At 31 December 2019	125,099	105,522	28,290	8,200	11,630	278,741
At 31 December 2018	103,949	116,290	15,268	7,799	16,562	259,868

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

16. Property, plant and equipment (continued)

During the year impairments of £10,108,000 were booked. The impairments related to: assets which are no longer used in operations and where the directors have determined that the fair value is nil and therefore been fully impaired; Or where following a review by management it was found that a sites current carrying value exceeded the recoverable amount.

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of financial position is as follows:

	2019 £000
Tangible fixed assets owned	229,857
Right-of-use tangible fixed assets	48,884
	<hr/>
	278,741 <hr/>

Information about right-of-use assets is summarised below:

Net book value

	2019 £000
Land and buildings	28,716
Plant and machinery	5,203
Motor vehicles	14,965
	<hr/>
	48,884 <hr/>

Depreciation charge for the year ended

	2019 £000
Land and buildings	3,558
Plant and machinery	2,997
Motor vehicles	4,044
	<hr/>
	10,599 <hr/>

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

16. Property, plant and equipment (continued)

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost						
At 1 January 2018	402,324	319,300	57,594	26,719	20,788	826,725
Additions	2,380	8,394	2,750	1,739	12,599	27,862
Disposals	(272)	(6,064)	(10,174)	(67)	-	(16,577)
On acquisition of subsidiaries	-	172	-	-	-	172
Transfer between classes	3,363	7,032	1,417	5,013	(16,825)	-
At 31 December 2018	<u>407,795</u>	<u>328,834</u>	<u>51,587</u>	<u>33,404</u>	<u>16,562</u>	<u>838,182</u>
Depreciation						
At 1 January 2018	298,077	200,876	42,151	23,201	-	564,305
Charge for the year	6,028	16,769	4,149	2,471	-	29,417
On disposals	(259)	(5,311)	(9,992)	(67)	-	(15,629)
Transfer between wider UK group	-	210	-	-	-	210
Impairment charge	-	-	11	-	-	11
At 31 December 2018	<u>303,846</u>	<u>212,544</u>	<u>36,319</u>	<u>25,605</u>	<u>-</u>	<u>578,314</u>
Net book value						
At 31 December 2018	<u>103,949</u>	<u>116,290</u>	<u>15,268</u>	<u>7,799</u>	<u>16,562</u>	<u>259,868</u>
At 31 December 2017	104,247	118,424	15,443	3,518	20,788	262,420

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

16. Property, plant and equipment (continued)

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost						
<i>At 1 January 2018</i>	5,335	2,969	2,810	24,677	12,633	48,424
<i>Additions</i>	139	2,821	367	1,556	7,217	12,100
<i>Transfers intra UK group</i>	-	(3,276)	3	-	-	(3,273)
<i>Disposals</i>	-	-	-	(38)	-	(38)
<i>Transfer between classes</i>	2,969	3,594	-	5,474	(12,037)	-
At 1 January 2019	8,443	6,108	3,180	31,669	7,813	57,213
<i>Additions</i>	-	212	-	1,358	1,747	3,317
<i>Transfers intra UK group</i>	(155)	114	(1,757)	-	(6,122)	(7,920)
<i>Disposals</i>	-	(1)	(1,255)	(138)	-	(1,394)
<i>Transfer between classes</i>	(2,965)	(2,471)	1	664	4,771	-
At 31 December 2019	5,323	3,962	169	33,553	8,209	51,216
Depreciation						
<i>At 1 January 2018</i>	633	2,072	2,773	21,552	-	27,030
<i>Charge for the year</i>	27	683	47	2,272	-	3,029
<i>On disposals</i>	-	-	-	(37)	-	(37)
<i>Transfers intra UK group</i>	-	(415)	-	-	-	(415)
At 1 January 2019	660	2,340	2,820	23,787	-	29,607
<i>Charge for the year</i>	(59)	(222)	20	2,302	-	2,041
<i>On disposals</i>	-	-	(1,251)	(137)	-	(1,388)
<i>Impairment</i>	-	41	-	79	-	120
<i>Transfers intra UK group</i>	(110)	209	(1,420)	-	-	(1,321)
At 31 December 2019	491	2,368	169	26,031	-	29,059
Net book value						
At 31 December 2019	4,832	1,594	-	7,522	8,209	22,157
<i>At 31 December 2018</i>	7,783	3,037	360	7,552	12,633	28,365

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

17. Fixed asset investments

Group	Investments in associates £000	Other fixed asset investments £000	Investment in joint ventures £000	Total £000
Cost or valuation				
At 1 January 2019	4,555	4	565	5,124
Dividend paid	(5,119)	-	(250)	(5,369)
Share of profit	1,733	-	94	1,827
Share of other comprehensive income	1,019	-	-	1,019
At 31 December 2019	2,188	4	409	2,601
Impairment				
At 1 January 2019 and 31 December 2019	-	-	-	-
Net book value				
At 31 December 2019	2,188	4	409	2,601
<i>At 31 December 2018</i>	<i>4,555</i>	<i>4</i>	<i>565</i>	<i>5,124</i>

Loans to associates, as disclosed in note 19, are also treated as part of the group's net investment in the associate. The cumulative amount of unrecognised share of total other comprehensive loss, relating to associates' hedge reserves, amounted to £2,165,000 at 31 December 2019 (2018: £nil).

Aggregate amounts of the group's share of associates:	2019 £000	2018 £000
(Loss) from continuing operations	(2,148)	(4,915)
Other comprehensive income	8,418	8,553
Total comprehensive income	6,270	3,638
Aggregate amounts of the group's joint ventures:	2019 £000	2018 £000
Profit from continuing operations	94	102
Total comprehensive income	94	102

A Joint Venture of the group has unrecognised tax losses of £136,000 at 31 December 2019 (2018: £Nil). These have not been recognised because of uncertainty regarding the future profitability of the company.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

	Investments in subsidiary companies
17. Fixed asset investments (continued)	
Company	£000
Cost or valuation	
At 1 January 2019	821,695
Additions	-
Disposals	-
At 31 December 2019	<u>821,695</u>
Impairment	
At 1 January 2019	283,129
Charge for the year	-
At 31 December 2019	<u>283,129</u>
Net book value	
At 31 December 2019	<u>538,566</u>
At 31 December 2018	538,566

Details of the subsidiaries, joint ventures and associates can be found under note 34.

18. Inventories

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Spare parts	12,549	9,419	-	-
	<u>12,549</u>	<u>9,419</u>	<u>-</u>	<u>-</u>

In the year ended 31 December 2019 £25,645,000 (2018: £21,060,000) was the amount of inventory recognised as an expense by the Group. In the year ended 31 December 2019 the company recognised £nil (2018: £nil) of inventory as an expense. For both the company and the group £nil has been written down in the year (2018: £nil).

The difference between purchase price or production cost of inventories and their replacement cost is not material.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
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19.- Trade and other receivables and financial assets

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Due after more than one year				
Trade and other receivables				
Amounts owed by group undertakings	-	-	240,769	250,002
Amounts owed by undertakings in which the Group has a participating interest	32,779	42,651	-	-
Service concession financial asset	122,071	132,763	-	-
Contract assets	42,752	28,000	-	-
Other non-current financial assets	4,707	6,427	-	-
	202,309	209,841	240,769	250,002
	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Due within one year				
Financial Assets				
Service concession financial asset	6,128	5,396	-	-
	6,128	5,396	-	-
Trade and other receivables				
Trade receivables	102,065	104,159	-	-
Amounts owed by group undertakings	205,716	204,390	816,779	808,834
Contract assets	74,917	68,304	-	-
Other receivables	37,720	3,727	7,890	4,167
Prepayments	5,319	8,117	591	1,819
	425,737	388,697	825,260	814,820
Corporation tax recoverable	-	-	1,336	1,886
	431,865	394,093	826,596	816,706

Contract assets are shown separately above in accordance with IFRS15. The significant change from the prior year is due to updates to the phasing of future revenue from maintenance contracts.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

19. Trade and other receivables and financial assets (continued)

Impaired trade receivables

The Group has recognised a provision for bad and doubtful debts, as at 31 December 2019. Trade receivables with an initial carrying value of £1,567,000 (2018: £1,740,000) were impaired and fully provided for. Management consider that these balances are impaired using the expected lifetime model under IFRS 9. The expected credit rate loss percentage is an average rate, with different expected losses for different customer categories.

The following table shows the movement in expected credit losses that has been recognised in trade and other receivables in accordance with the simplified approach set out in IFRS 9:

	2019	2018
	£000	£000
At 1 January	1,740	1,421
Increase/(decrease) in expected credit losses	938	362
Trade receivables written off during the year as uncollectable	(1,111)	(43)
At 31 December	1,567	1,740

As at 31 December, the ageing analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	61-90 days	91-120 days	>120 days
	£000	£000	£000	£000	£000	£000	£000
2019	102,065	77,939	14,776	3,781	1,603	1,068	2,898
Expected credit loss rate %	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Lifetime expected credit losses	1,567	1,197	227	58	24	16	45
2018	104,159	89,695	5,654	3,167	2,376	1,069	2,198

Amounts owed by participating interests:

Amounts owed by participating interests include loans with gross values of £3,652,000 (2018 - £3,457,000) to Northumberland Energy Recovery Holdings Limited, £15,530,000 (2018 - £15,347,000) to South Tyne & Wear Energy Recovery Holdings Limited, £37,213,000 (2018 - £34,241,000) to Merseyside Energy Recovery Holdings Limited, £23,475,000 (2018 - £24,247,000) to West London Energy Recovery Holdings Limited and £10,704,000 (2018 - £10,836,000) to Cornwall Energy Recovery Holdings Limited. These balances accrue interest at between 11% and 13.75% per annum and are repayable at the discretion of the associate.

These loans are recognised net of the Group's share of any total comprehensive losses, above the Group investment in the associates. At the 31 December 2019 the loans carrying values were £3,652,000 (2018 - £3,457,000), £nil (2018 - £3,061,000), £6,215,000 (2018 - £8,486,000), £12,728,000 (2018 - £16,812,000) and £10,184,000 (2018 - £10,836,000) respectively.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
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19. Trade and other receivables and financial assets (continued)

Amounts owed by Group undertakings:

Amounts owed to the Company by Group undertakings due after more than one year related to two separate loans £110,325,000 (2018 - £102,288,000) and £130,444,000 (2018 - £154,233,000) which accrue interest at between 5.91% - 11% and 7.97%. These amounts are repayable over 6 and 18 years starting from 31st December 2017 and 31st May 2018.

Amounts owed to the Company by Group undertakings due within one year where the other party is a trading entity accrue interest at 0.75% and are repayable on demand.

20. Cash and cash equivalents

	2019 £000	2018 £000
Group		
Cash at bank	12,522	32,684
Petty cash	<u>9</u>	<u>9</u>
Total	<u>12,531</u>	<u>32,693</u>
	2019 £000	2018 £000
Company		
Cash at bank	<u>11,136</u>	30,562

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

21. Current liabilities

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Interest bearing loans and borrowings				
Loans from group undertakings	23,327	24,178	23,327	24,178
Lease liability	11,234	1,755	-	-
Redeemable preference shares	1,193	1,193	-	-
	<u>35,754</u>	<u>27,126</u>	<u>23,327</u>	<u>24,178</u>
Trade and other payables				
Trade payables	41,539	44,085	39,386	42,383
Amounts owed to group undertakings	99,083	96,306	863,615	854,218
Other taxation and social security (see below)	23,582	21,720	21,448	18,936
Other liabilities	4,008	1,863	2,978	1,772
Contract liability	17,530	15,932	-	-
Accruals	105,483	104,546	60,735	61,740
	<u>291,225</u>	<u>284,452</u>	<u>988,162</u>	<u>979,049</u>
Corporation tax payable	<u>1,218</u>	<u>1,565</u>	<u>-</u>	<u>-</u>

22. Non-current liabilities (excluding other provisions and defined benefit pension scheme liability)

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Interest bearing loans and borrowings				
Lease liability	48,275	10,393	-	-
Loans from group undertakings	229,316	262,359	229,316	262,359
	<u>277,591</u>	<u>272,752</u>	<u>229,316</u>	<u>262,359</u>
Other non-current financial liabilities				
Derivative Financial instruments	7	41	-	-
	<u>7</u>	<u>41</u>	<u>-</u>	<u>-</u>

Loans from group undertakings include three separate loans of £84,950,000, £137,693,000 and £30,000,000 owed to SUEZ SA (2018 - £102,288,000, £154,233,000 and £30,000,000). These amounts incur interest at 4.97%, 7.97% and 9%, they are repayable over 5 and 17 years.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

23. Leases

The Group has lease contracts for various properties, items of plant and machinery and motor vehicles.

	<u>Group</u>		<u>Company</u>	
Lease liabilities are due as follows:				
	2019	2018	2019	2018
	£000	£000	£000	£000
Not later than one year	11,234	1,155	-	-
After one year but not more than five	27,848	5,738	-	-
Later than five years	20,426	4,655	-	-
	<u>59,508</u>		<u>-</u>	

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	Group	Company
	2019	2019
	£000	£000
Interest expense on lease liabilities	(1,674)	-
Expenses relating to short-term leases	(14,769)	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	(544)	-
Income from subletting of leasehold property	100	-

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
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24. Deferred tax

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Asset/(liability)/ at beginning of year	(9,416)	(4,712)	847	1,448
Through profit and loss	(337)	(3,147)	(215)	(451)
Through other comprehensive income	724	(673)	(72)	(150)
On initial application of IFRS 9 & 15	-	(884)	-	-
At end of year	(9,029)	(9,416)	560	847

The deferred tax (liability)/asset is made up as follows:

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Accelerated capital allowances	(13,103)	(12,670)	1,119	1,337
Other timing differences	4,074	3,254	(559)	(490)
	(9,029)	(9,416)	560	847

Movements in deferred tax:

Opening balance				
On initial application of IFRS 9 & 15	-	(884)	-	-
Profit and loss				
Accelerated capital allowances	(433)	(4,361)	(218)	(473)
Other timing differences	96	1,214	3	22
Other comprehensive income				
Other timing differences	724	(673)	(72)	(150)
	387	(4,704)	(287)	(601)

The deferred tax assets of the Company are considered to be recoverable based on the future taxable profits of the Company. The directors have considered the business plans of the Company in determining that these amounts are recoverable. The expectation is that the group will make a taxable profit in the future and the deferred tax will be recovered via group relief.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

25. Financial instruments

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding the service concession financial asset, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material, less any impairment

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Service concession financial asset

The fair value of service concession financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date

Derivative financial instruments

Interest rate swaps

The Group has entered into interest rate swaps to hedge against volatility of movements in interest rates. These have been designated as cash flow hedges.

The fair value of the interest rate swap is based on a mark-to-market valuation. This quote is tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The interest rates used to discount estimated cash flows, where applicable, are based on one month and six month LIBOR yield curves at the balance sheet date.

Foreign exchange contracts

The Group has entered into foreign exchange contracts to hedge against volatility of movements in exchange rates relating to construction payments in a subsidiary company. These have been designated as cash flow hedges.

The fair value of the foreign exchange contract is based on mark-to-market valuation.

Risk management is predominately controlled by a central treasury department of the group under policies approved by the Board of Directors. The central treasury department identifies, evaluates and hedges financial risks in close co-operation with the company's operating units.

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period.

The company's hedging policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the company uses the hypothetical derivative method to assess effectiveness.

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above foreign currency purchases this may arise if:

- the timing of the transaction changes from what was originally estimated, or
- differences arise between the credit risk inherent within the hedged item and the hedging instrument

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements
for the year ended 31 December 2019

25. Financial instruments (continued)

(a) Fair values of financial instruments (continued)

Fair values

The fair values of all assets and liabilities, split between non-financial and financial instruments and by class, together with their carrying amounts shown in the balance sheet are as follows:

	Group				Company			
	Carrying amount 2019 £000	Fair value 2019 £000	Carrying amount 2018 £000	Fair value 2018 £000	Carrying amount 2019 £000	Fair value 2019 £000	Carrying amount 2018 £000	Fair value 2018 £000
Assets								
Non-financial instruments								
Intangible assets and goodwill	167,290	167,290	167,654	167,654	-	-	-	-
Tangible assets	278,741	278,741	259,868	259,868	22,157	22,157	27,606	27,606
Investments	2,601	2,601	5,124	5,124	538,566	538,566	538,566	538,566
Deferred tax	-	-	-	-	560	560	847	847
Inventories	12,549	12,549	9,419	9,419	-	-	-	-
Trade and other receivables	2,893	2,893	8,117	8,117	591	591	1,819	1,819
Corporation tax recoverable	-	-	-	-	1,336	1,336	1,886	1,886
Financial Assets at amortised cost								
Service concession financial asset	128,199	128,199	138,159	138,159	-	-	-	-
Other non-current financial assets	4,707	4,707	6,427	6,427	-	-	-	-
Cash and cash equivalents	12,531	12,531	32,693	32,693	11,136	11,136	30,562	30,562
Trade and other receivables	495,375	495,375	451,231	451,231	1,065,438	1,065,438	1,063,003	1,063,003
Total assets	1,107,886	1,107,886	1,078,692	1,078,692	1,639,784	1,639,784	1,664,289	1,664,289

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements
for the year ended 31 December 2019

25. Financial instruments (continued)

(a) Fair values of financial instruments (continued)

	Group				Company			
	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018
	£000	£000	£000	£000	£000	£000	£000	£000
Liabilities								
Non-financial instruments								
Other provisions	94,104	94,104	90,017	90,017	400	400	738	738
Deferred tax	9,029	9,029	9,416	9,416	-	-	-	-
Defined benefit pension scheme (asset)/ liability	13,639	13,639	10,598	10,598	(3,306)	(3,306)	(2,884)	(2,884)
Corporation tax payable	1,218	1,218	1,565	1,565	-	-	-	-
Financial liabilities at amortised cost								
Bank loans and overdraft	-	-	-	-	-	-	-	-
Loans from group undertakings	252,643	252,643	286,537	286,537	252,643	252,643	286,537	286,537
Lease liability	59,509	59,509	12,148	12,148	-	-	-	-
Trade and other payables	292,418	292,418	285,375	285,375	988,162	988,162	979,049	979,049
Derivatives designated as hedging instruments								
Interest rate swap	7	7	41	41	-	-	-	-
Total Liabilities	722,567	722,567	695,967	695,967	1,237,899	1,237,899	1,263,440	1,263,440
Total net assets as per statement of financial statement	385,319	385,319	382,725	382,725	401,885	401,885	400,849	400,849

25. Financial instruments (continued)

(a) Fair values of financial instruments (continued)

Fair value hierarchy

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
2019				
Derivatives designated as hedging instruments	-	(7)	-	(7)
	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>
2018				
Derivatives designated as hedging instruments	-	(41)	-	(41)
	<u>-</u>	<u>(41)</u>	<u>-</u>	<u>(41)</u>

The fair value of derivatives designated as hedging instruments is based on valuations of the instrument providers.

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Debt to non-authority customers is also protected through credit insurance.

Financial assets that are neither past due nor impaired relate to customers who have demonstrated an appropriate payment history and satisfied credit worthiness procedures.

Exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure. Therefore the maximum exposure to credit risk at the balance sheet date was £646,705,000 being the total of the carrying amount of financial assets and trade and other receivables shown in the table shown in (a). This exposure is all in the UK.

The Company is not subject to credit risk from external parties, with all of its receivables relating to balances with fellow Group companies.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The SUEZ R&R UK Group, along with its ultimate parent company SUEZ SA, has considerable financial resources together with long-term contracts with a number of customers across different geographic areas and within different sectors of the recycling industry. The directors have reviewed the Group's cashflow forecasts. These forecasts demonstrate that the Group expects to meet its liabilities as they fall due.

25. Financial instruments (continued)

(c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Group

	2019						2018					
	Carrying amount 2019	Contractual cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over	Carrying amount 2018	Contractual cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Non-derivative financial liabilities												
Loans from group undertakings	252,643	343,282	35,833	36,587	112,241	158,621	286,537	458,831	50,410	46,872	137,303	224,246
Lease Liability	59,508	67,668	12,671	10,564	22,696	21,737	12,148	14,744	2,270	2,270	4,749	5,455
Trade and other payables	292,418	292,418	292,418	-	-	-	283,523	283,523	283,523	-	-	-
Derivative financial liabilities												
Interest rate swaps used for hedging	7	7	7	-	-	-	41	74	67	7	-	-
	604,576	703,375	340,929	47,151	134,937	180,358	582,249	757,172	336,270	49,149	142,052	229,701

25. Financial instruments (continued)

(c) Liquidity risk (continued)

Company

	2019						2018					
	Carrying amount 2019	Contract- ual cash flows	1 year or less	1 to <2years	2 to <5years	5years and over	Carrying amount 2018	Contract- ual cash flows	1 year or less	1 to <2years	2 to <5years	5years and over
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Non-derivative financial liabilities												
Bank loans and overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Loans from group undertakings	252,643	343,282	35,833	36,587	112,241	158,621	286,537	458,831	50,410	46,872	137,303	224,246
Trade and other payables	988,162	988,162	988,162	-	-	-	979,049	979,049	979,049	-	-	-
	<u>1,240,805</u>	<u>1,331,444</u>	<u>1,023,995</u>	<u>36,587</u>	<u>112,241</u>	<u>158,621</u>	<u>1,265,586</u>	<u>1,437,880</u>	<u>1,029,459</u>	<u>46,872</u>	<u>137,303</u>	<u>224,246</u>

25. Financial instruments (continued)

(d) Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	2019					2018						
	Carrying amount 2019 £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000	Carrying amount 2018 £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps												
Liabilities	7	7	7	-	-	-	41	74	67	7	-	-
	7	7	7	7	-	-	41	74	67	7	-	-

All movements in fair value of cash flow hedges, in the current and prior year, have been deemed to be effective and recognised in other comprehensive income. Therefore no ineffectiveness has been recognised in profit or loss in both years.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

25. Financial instruments (continued)

(e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group manages interest rate risk by having swapped its variable rate debt into a fixed rate agreement and manages foreign exchange risk by entering into certain foreign exchange forward contracts.

Interest rate risk

The treasury risk management policy within the associates is to hedge 100% of the variable rate borrowings. At 31 December 2019 100% of the associate variable rate borrowings were hedged.

All material hedging instruments are within associate companies and therefore are not recognised as separate financial instruments on the consolidated statement of financial position, they do however impact the Investments in associates and joint ventures line along with Trade and other receivables where the loans to associate companies are included in the net investment. The impact of our share of the associate hedging instruments on the statement of financial position as at 31 December 2019 is, as follows:

	Notional Amount	Carrying Amount	Line item in the statement of financial position	Change in fair value
	£000	£000		£000
Interest rate swaps	(164,802)	(71,813)	Investments in associates and joint ventures and Trade and other receivables	(7,660)

Ineffectiveness recognised in the Groups share of the results was immaterial.

The impact of the hedging on equity can be seen in the Consolidated Statement of Changes in Equity on page 17.

Exchange rate risk

In the prior year the Group had entered into a forward exchange contract to avoid volatility in costs of capital expenditure relating to one of its subsidiary entities. This agreement constituted a cash flow hedge. With exception to this capital expenditure, the group do not have any other material exposure to exchange rate risk.

The Company is not exposed to such interest rate or exchange rate risks.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
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Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was

	2019	2018
	£000	£000
Fixed rate instruments		
Financial liabilities	(252,643)	(286,537)
	(252,643)	(286,537)

Sensitivity analysis

At 31 December 2019 there are no variable rate instruments.

(f) Capital management

The Group and Company manages its cash, bank loans and equity as capital. The Group and Company's principal objective is to ensure that there is sufficient capital to fund operations and fulfil obligations.

Capital requirements and timings are monitored by the Group and Company management through regular reviews of rolling cashflow forecasts. The Group has the support of its ultimate parent company SUEZ SA, in the form of a rolling credit facility that the Group and Company can draw down on as required.

26. Provisions

Group	Maintenance provision £000	Other provisions £000	Site restoration and maintenance £000	Total £000
At 1 January 2019	30,418	4,089	55,510	90,017
Additions	21,776	3,723	6,446	31,945
Amounts used	(18,164)	(3,486)	(9,482)	(31,132)
Movement on discount	-	-	3,274	3,274
At 31 December 2019	34,030	4,326	55,748	94,104

Maintenance provision

Provision has been made for the costs of maintaining and replacing assets as required under the terms of contracts in place with Local Authorities. The Group expects for these costs to be incurred for more than 15 years.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

26. Provisions (continued)

Other provisions

Provision has been made for anticipated losses on a small number of loss making contracts held by the Group, as well as for other potential litigation against the Group. The Group expects for these costs to be incurred over the next year. Other provisions also includes provision for long-term loyalty bonuses due to senior staff. This provision is expected to be utilised between 1 and 3 years.

Site restoration and maintenance

The Group provides for closure and post-closure costs as permitted airspace in landfill sites is used. Full provision has also been made for the Group's minimum unavoidable costs in relation to landfill site restoration and maintenance. The Group expects for these costs to be incurred over the next 60 years.

Company	Other provisions £000
At 1 January 2019	738
Additions	183
Amounts used	<u>(521)</u>
At 31 December 2019	<u>400</u>

Other provisions

Provision has been made for long-term loyalty bonuses due to senior staff. The company expects for this to be utilised between one and three years.

27. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
679,528,758- ordinary shares of £0.55 each	<u>373,741</u>	373,741

These shares carry no right to fixed income or have any preferences or restrictions attached to them.

28. Nature and purpose of other reserves

Share premium account

A non-distributable reserve where the premium paid for new shares above their nominal value is recognised.

Capital redemption reserve

The capital redemption reserve is a non-distributable reserve into which amounts are transferred following the redemption or purchase of the Group's own shares.

Hedging Reserve

The hedging reserves relate to the use of hedge accounting as detailed in accounting policy 2.11.

Other reserves

The other reserves is a non-distributable merger relief reserve relating to historic business combinations where merger relief was applied.

Retained earnings

The profit and loss account is a distributable reserve made up of retained earnings.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

29. Contingent liabilities

The Group has provided unsecured guarantees to third parties in respect of performance bonds. At 31 December 2019 guarantees outstanding amounted to £128,031,000 (2018 - £127,851,000). These bonds are due to expire between 18 January 2020 and 31 December 2049.

At the 31 December 2019 the Group have contingent liabilities of £45,223,000 (2018 - £34,300,000) as a result of a number of put or pay contracts held.

Joint venture undertakings also have guarantees outstanding at the year end relating to performance bonds of £3,696,000 (2018 - £3,770,000).

No liabilities are expected to arise from these contingent liabilities.

The Company has provided unsecured guarantees to third parties in respect of performance bonds. At 31 December 2019 guarantees outstanding amounted to £3,826,000 (2018 - £926,000). These bonds are due to expire 30 September 2021.

30. Capital commitments

At 31 December 2019 the Group and Company had capital commitments as follows:

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	£000	£000	£000	£000
Contracted for but not provided in these financial statements	15,992	25,861	-	-

Included in capital commitments at 31 December 2019 is £nil in relation to the construction of the energy from waste facility in Suffolk (2018 - £1,475,000) and £9,567,000 in relation to the construction of an EcoPark development in Surrey (2018 - £18,012,000).

At the 31 December 2019 the Group share of capital commitment within associates were as follows:

Cornwall Energy Recovery Limited - £1,600,000 (2018 - £233,000)
West London Energy Recovery Limited - £nil (2018 - £15,000)

31. Pension commitments

Group

Defined contribution pension schemes:

The SUEZ R&R Group operates a defined contribution pension scheme, the assets of which are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by the Group to the fund and amounted to £12,046,000 (2018 - £9,661,000). Contributions totalling £nil (2018 - £40,000) were payable to the fund at the balance sheet date and are included in liabilities.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

31. Pension commitments (continued)

Defined benefit schemes:

The Group operates the following defined benefit pension schemes:

SUEZ Final Salary Pension Scheme
SUEZ Contract Services Limited Retirement Benefits Scheme
SUEZ (GB) Limited (Charnwood) Retirement Benefits Scheme
The SUEZ Section of the Citrus Plan
BFI Group Pension Scheme
LWS Pension Scheme
Hemmings Group Holdings Limited and Associated or Subsidiary Companies Pension Scheme

The Schemes offer both pensions in retirement and death benefits to members. All the Schemes are closed to new members.

The information presented below has been made for the total of these balances. The Schemes are administered by Trustees and the assets are held separately to the legal entity that is the Group.

The Trustee board of the Schemes is composed of employer and member nominated Trustees (where the legal minimum proportion of member nominated Trustees has been upheld). The Trustees are required by law to act in the best interests of the members of the Scheme. The Trustees are responsible for the investment policy with regard to the assets of the Schemes.

The Group considers two measures of the Schemes surplus or deficit. The accounting position is shown on the Group balance sheet. The funding position, calculated at the triennial actuarial assessment, is used to agree contributions to the Schemes. The two measures will vary because they are for different purposes, and are calculated at different rates and in different ways. The key calculation difference is that the funding position considers the expected returns of Scheme assets when calculating the Schemes liability, whereas the accounting position under IAS 19 discounts liabilities based on corporate bond yields.

The amounts in the financial statements for the year ended 31 December 2019, relating to pensions, are based on the most recent actuarial valuations for each scheme updated by Deloitte to take account of IAS19 in order to assess the liabilities of the scheme at 31 December 2018 and 5 April 2019.

The Schemes expose the Group to actuarial risks such as market (investment) risk, interest rate risk, inflation risk currency risk and longevity risk.

Investment risk

The present values of the Schemes' liabilities are calculated using a discount rate determined by reference to yields available on high quality AA rated corporate bond yields; in other words, from the position of being fully funded then if the return on the Schemes' assets were below this rate, it would create a deficit in the Schemes.

Interest risk

A decrease in the corporate bond yield will increase the Schemes' liabilities; however, this will be partially offset by an increase in the value on the Schemes' corporate bond assets.

Longevity risk

The present value of the Schemes liabilities are calculated by reference to the best estimate of the mortality of the Schemes' members both during and after their employment. An increase in the life expectancy of the Schemes' members will increase the Schemes' liabilities.

Inflation risk

The present value of the Schemes' liabilities are calculated by reference to the future expected pension indexation (both indexation in deferment and pension increases in payment), which will depend on future inflation expectations. As such, an increase in the expectation of future inflation will increase the Schemes' liabilities.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

31. Pension commitments (continued)

Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by the directors following discussions with the Group's actuaries. The liabilities in the scheme are measured on an actuarial basis using the projected unit method.

The amounts recognised in the balance sheet are as follows:

	Assets	Liabilities	Assets	Liabilities
	2019	2019	2018	2018
	£000	£000	£000	£000
Fair value of scheme assets	16,925	94,088	15,747	88,746
Present value of obligations	(13,619)	(111,033)	(12,862)	(102,229)
Asset/ (liability)	3,306	(16,945)	2,885	(13,483)

The pension scheme assets do not include any ordinary shares issued by SUEZ Recycling and Recovery Holdings UK Ltd or any property occupied by SUEZ Recycling and Recovery Holdings UK Ltd.

The Group's pension scheme assets will be recovered either through a reduction in future contribution rates or as a repayment from the scheme when the last member leaves the scheme.

Changes in provisions and assets for defined benefit pension schemes for the year ended 31 December 2019 and the previous year are as follows:

	Assets	Liabilities	Total
	£000	£000	£000
At 31 December 2017	2,137	(15,778)	(13,641)
Actuarial gains	885	2,785	3,670
Expense for the period	(170)	(2,700)	(2,870)
Employer contributions	33	2,210	2,243
Reclassification	-	-	-
At 31 December 2018	2,885	(13,483)	(10,598)
	Assets	Liabilities	Total
	£000	£000	£000
At 31 December 2018	2,885	(13,483)	(10,598)
Actuarial gains and (losses)	424	(4,682)	(4,258)
Expense for the period	(64)	(1,491)	(1,555)
Employer contributions	61	2,711	2,772
Reclassification	-	-	-
At 31 December 2019	3,306	(16,945)	(13,639)

Actuarial gains and losses in the year all relate to changes in financial assumptions.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

31. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2019 £000	2018 £000
Current service cost	(861)	(1,355)
Net interest cost	(694)	(307)
Past service cost	-	(1,208)
Total	<u>(1,555)</u>	<u>(2,870)</u>
Actual (loss)/return on scheme assets	<u>(4,254)</u>	<u>3,670</u>

None of the pension commitments relate to SUEZ Recycling and Recovery Holding UK Limited's joint ventures or associates.

The amounts recognised as other comprehensive gains/losses in the statement of comprehensive income are as follows:

	2019 £000	2018 £000
Actual return less expected return on scheme assets	6,687	(5,944)
Experience gains and (losses) arising on scheme liabilities	1,436	(2,019)
Changes in financial assumptions represent value of scheme liabilities	(14,351)	7,061
Changes in demographic assumptions represent value of scheme liabilities	1,969	4,572
Actuarial (loss)/gain recognised	<u>(4,258)</u>	<u>3,670</u>

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

	2019 £000	2018 £000
Opening defined benefit obligation	115,091	123,112
Current service cost	861	1,355
Interest cost	3,416	2,751
Contributions by scheme participants	256	290
Actuarial gains due to changes in demographic assumptions	(1,969)	(4,572)
Actuarial losses/(gains) due to changes in financial assumptions	14,351	(7,061)
Actuarial (gains)/losses due to experience adjustment	(1,436)	2,019
Past service costs	-	1,208
Benefits paid	<u>(5,918)</u>	<u>(4,011)</u>
Closing defined benefit obligation	<u>124,652</u>	<u>115,091</u>

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

	2019 £000	2018 £000
Opening fair value of scheme assets	104,493	109,471
Return on plan assets excluding the amount included in the net interest	2,722	2,444
Actuarial gains/(losses)	6,688	(5,944)
Contributions by employer	2,772	2,243
Contributions by scheme participants	256	290
Benefits paid	<u>(5,918)</u>	<u>(4,011)</u>
	<u>111,013</u>	<u>104,493</u>

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

31. Pension commitments (continued)

The cumulative amount of other comprehensive gains and losses recognised was £9,410,000 (2018 - £13,664,000).

The Group expects to contribute £2,801,000 to its defined benefit pension schemes in 2020.

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

	2019	2018
Equities - quoted	26%	28%
Bonds - quoted	67%	66%
Property - quoted	0%	0%
Cash	3%	3%
Other	3%	3%

The allocation of pension assets by geographical area of investment is as follows:

	Europe	North America	Latin America	Asia and Oceania	Other	Total
Equities	25.6%	0.2%	0.0%	0.1%	0.1%	26.0%
Bonds	67.0%	0.2%	0.0%	0.1%	0.0%	67.3%
Property	0.0%	-	-	-	-	0.0%
Cash	3.3%	-	-	-	-	3.3%
Other	-	-	-	-	3.4%	3.4%
	95.9%	0.4%	0.0%	0.2%	3.5%	100%

All pension obligations relate to employees United Kingdom.

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

	2019	2018
Discount rate at 31 December	2.05%	2.70%
Future salary increases	1.00%	1.00%
Future pension increases	1.00%	1.00%
Inflation	2.15%	2.05%
Average remaining working life of participating employees	10 years	11 years

A half percentage point decrease in the discount rate assumption would lead to an increase in pension liabilities of 10%.

A half percentage point increase in the inflation assumption would lead to an increase in pension liabilities of 9%.

In calculating the pension liabilities, the directors, upon consultation with the scheme actuary, have used VITA curves with improvements according to CMI 2018 tables (non-peaked) with a 1.5% underpin for most schemes. For the Citrus scheme, the VITA curves have been used with a long cohort.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

31. Pension commitments (continued)

Company

Defined contribution pension schemes:

The SUEZ R&R Group operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £4,163,000 (2018 - £2,887,000).

Defined benefit pension schemes:

The Company operates a defined benefit pension scheme: BFI Group Pension Scheme

Details of the nature of the benefits, governance and valuation method and assumptions used can be found in the Group disclosure above.

The amounts recognised in the balance sheet are as follows:

	Asset 2019 £000	Asset £000
Fair value of scheme assets	16,926	15,747
Present value of obligations	(13,620)	(12,863)
Asset	3,306	2,884

Changes in provisions and assets for defined benefit pension schemes for the year ended 31 December 2019 and the previous year are as follows:

	(Liability)/Asset £000
At 31 December 2017	2,137
Actuarial gains and losses	883
Income for the period	(169)
Employer contributions	33
At 31 December 2018	2,884
	Asset £000
At 31 December 2018	2,884
Actuarial gains and losses	425
Expense for the period	(64)
Employer contributions	61
At 31 December 2019	3,306

The amounts recognised in profit or loss are as follows:

	2019 £000	2018 £000
Current service cost	(27)	(51)
Net interest (cost)/income	(37)	46
Past service cost	-	(164)
Total	(64)	(169)

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

31. Pension commitments (continued)

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

	2019	2018
	£000	£000
Opening defined benefit obligation	12,863	14,550
Current service cost	27	51
Interest cost	483	308
Contributions by scheme participants	12	11
Actuarial losses/(gains) due to changes in financial assumptions	1,243	(1,508)
Actuarial gains due to changes in demographic assumptions	(207)	-
Actuarial losses due to experience adjustments	88	-
Past service costs	-	164
Benefits paid	(889)	(713)
Closing defined benefit obligation	<u>13,620</u>	-

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

	2019	2018
	£000	£000
Opening fair value of scheme assets	15,747	16,687
Return on plan assets excluding the amount included in the net interest	446	354
Actuarial gains and (losses)	1,549	(625)
Contributions by employer	61	33
Contributions by scheme participants	12	11
Benefits paid	(889)	(713)
	<u>16,926</u>	<u>15,747</u>

The Company expects to contribute £62,000 to its defined benefit pension schemes in 2020.

The major categories of scheme assets as a percentage of total scheme assets and geographical split is not currently available for the scheme.

All pension obligations relate to employees United Kingdom.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

32. Related party transactions

Group:

Under the provisions of IAS 24, the Group is not required to disclose details of related party transactions between Group companies where 100% of the voting rights are held within the Group. Analysis of the Group's transactions with joint ventures, associates and other related parties are detailed in this note. These are categorised as either sales transactions, purchase transactions or financing transactions.

Sales transactions:

During the year ended 31 December 2019 and the previous year, the Group undertook sales transactions with related parties as below:

	Sales 2019 £000	Outstanding at year end 2019 £000	Sales 2018 £000	Outstanding at year end 2018 £000
Transactions with associate companies:				
Northumberland Energy Recovery Limited	24,462	1	17,709	-
Cornwall Energy Recovery Limited	21,500	737	21,825	331
South Tynes & Wear Energy Recovery Limited	20,170	1	15,702	-
Merseyside Energy Recovery Limited	14,664	(2,425)	17,169	7
West London Energy Recovery Limited	19,516	57	22,299	128
Transactions with joint ventures:				
Lidsey Landfill Limited	138	95	122	84
Transactions with subsidiaries:				
Shropshire Waste Management Limited	129	-	156	-
SUEZ R&R Kirklees Limited	7,156	-	5,859	-

The Group's relationships with Northumberland Energy Recovery Limited, Cornwall Energy Recovery Limited, South Tynes & Wear Energy Recovery Limited, Merseyside Energy Recovery Limited, West London Energy Recovery Limited and Lidsey Landfill Limited are described in note 34 to the accounts.

During the year the group owned 93.3% of the share capital of Shropshire Waste Limited, on the 21 May 2019 the group purchased the remaining 6.7% and therefore held 100% of the share capital at 31 December 2019.

The Group owns 99.9% of the share capital (81% of share with voting rights) of SUEZ Recycling and Recovery (Kirklees) Limited.

SUEZ Recycling and Recovery Holdings UK Ltd

**Notes to the financial statements
for the year ended 31 December 2019**

32. Related party transaction (continued)

Purchase transactions:

During the year ended 31 December 2019 and the previous year, the Group undertook purchase transactions with related parties as below:

	Purchases	Outstanding at year end	Purchases	Outstanding at year end
	2019	2019	2018	2018
	£000	£000	£000	£000
Transactions with associate companies:				
Northumberland Energy Recovery Limited	5,952	-	9,552	-
Cornwall Energy Recovery Limited	7,699	-	9,994	-
South Tynes & Wear Energy Recovery Limited	8,692	-	7,684	-
Merseyside Energy Recovery Limited	5,909	-	2,978	-
West London Energy Recovery Limited	9,591	-	9,244	-
Transactions with subsidiaries:				
SUEZ R&R Kirklees Limited	3,969	-	3,249	-

Finance transactions

During the year ended 31 December 2019 and the previous year, the Group undertook financing transactions with related parties as below:

	Interest receivable/ (payable)	Loan receivable (payable) at year end	Interest receivable/ payable	Loan receivable/ (payable) at year end
	2019	2019	2018	2018
	£000	£000	£000	£000
Transactions with associate companies:				
Northumberland Energy Recovery Limited	391	3,652	385	3,457
South Tynes & Wear Energy Recovery Limited	1,902	15,530	1,896	15,347
Merseyside Energy Recovery Limited	2,972	37,213	3,396	34,241
West London Energy Recovery Limited	2,172	23,475	2,920	24,247
Cornwall Energy Recovery Limited	1,293	10,704	1,411	10,836
Transactions with subsidiaries:				
SUEZ R&R Kirklees Limited	175	22,838	155	23,839
Shropshire Waste Management Limited	(66)	(8,718)	(47)	(6,261)

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

32. Related party transaction (continued)

Transactions with senior personnel:

The Group's key executives were the 6 members of the OpCom (2018 – 6 members)

Their compensation was as follows:

	2019	2018
	£000	£000
Salaries	1,407	1,095
Other short term benefits	786	622
Post employment benefits	237	214
Share based payments	28	1,770
Total	2,458	3,701

Company:

Sales/recharges transactions

During the year ended 31 December 2019 and the previous year, the Company undertook sales/recharges transactions with related parties as below:

	Sales/ Recharges	Outstanding at year end	Sales/ Recharges	Outstanding at year end
	2019	2019	2018	2018
	£000	£000	£000	£000
Transactions with associate companies:				
Northumberland Energy Recovery Limited	25	-	43	-
Cornwall Energy Recovery Limited	23	-	26	-
Merseyside Energy Recovery Limited	201	-	-	-
West London Energy Recovery Limited	25	-	30	-
South Tyne & Wear Energy Recovery Limited	10	-	-	-

Amounts owed to group undertakings:

At the year ended 31 December 2019 the Company was owed £22,586,000 from a subsidiary SUEZ R&R Kirklees Limited (2018: £21,909,000) on which interest of £175,000 was received in 2019 (2018: £155,000).

The Company's relationship with Shropshire Waste Management Limited and SUEZ R&R Kirklees Limited is described in note 34 to the accounts.

33. Controlling party

At the year end the Company's immediate parent undertaking was SUEZ Recycling and Recovery UK Group Holdings Limited, a company incorporated in England & Wales. The Company is a subsidiary of SUEZ SA, a company incorporated in France. The ultimate parent company at 31 December 2019 is SUEZ SA. The largest group of which SUEZ Recycling and Recovery Holdings UK Ltd is a member and for which group financial statements are drawn up is that headed by SUEZ SA, whose consolidated financial statements are available from Tour CB21, 16 Place de L'Iris, 92040 Paris la Defense Cedex, France. In the directors' opinion, the Company's ultimate controlling party is SUEZ SA.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

34. Subsidiaries, joint ventures and associates

a. Subsidiaries

Company name	Country	Percentage Shareholding	Description
SUEZ Recycling and Recovery UK LTD **	England & Wales	100	Municipal services and waste disposal
Binn Landfill (Glenfarg) Limited	Scotland	100	Landfill site operator
Group Fabricom Limited***	England & Wales	100	Holding company
Midland Land Reclamation Limited	England & Wales	100	Landfill site operator
Northumberland Waste Management Limited	England & Wales	100	Landfill site operator
Shropshire Waste Management Limited	England & Wales	93.3	Landfill site operator
SUEZ UK Environment Ltd **	England & Wales	100	Landfill site operator
SUEZ Recycling and Recovery Kirklees Ltd	England & Wales	100	Waste disposal and electricity generation
SUEZ Recycling and Recovery Lancashire Ltd	England & Wales	100	Waste disposal and landfill site operator
SUEZ Recycling and Recovery North East Ltd **	England & Wales	100	Waste disposal and landfill site operator
SHUKCO 346 LTD **	England & Wales	100	Landfill site operator
SHUKCO 347 LTD	England & Wales	100	Waste disposal
SUEZ Recycling and Recovery South Gloucestershire Ltd	England & Wales	100	Municipal services
SHUKCO 348 LTD	England & Wales	100	Landfill site operator
SUEZ Recycling and Recovery Tees Valley Ltd	England & Wales	100	Waste disposal and electricity generation
SUEZ Recycling and Recovery Isle Of Man Ltd *	Isle of Man	100	Energy-from-waste plant operator
SUEZ Recycling and Recovery Surrey Ltd	England & Wales	100	Waste disposal
Tyne Waste Limited	England & Wales	100	Waste disposal and landfill site operator
Cliffeville Limited	England & Wales	100	Landfill site operator
SUEZ Recycling and Recovery Northern Ireland Ltd **	Northern Ireland	100	Municipal services and waste disposal
SUEZ Recycling and Recovery Suffolk Ltd *	England & Wales	100	Energy from waste plant
London Recycling & Renewable Energy Ltd	England & Wales	100	Property holding Company
SHUKCO LTD***	England & Wales	100	Holding Company

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

34. Subsidiaries, joint ventures and associates (continued)

a. Subsidiaries (continued)

Company name	Country	Percentage Shareholding	Description
SHUKCO 327 LTD***	England & Wales	100	Holding Company
SHUKCO 340 LTD***	England & Wales	100	Holding Company
SHUKCO 320 Limited **	England & Wales	100	Holding Company
A & J Bull Limited	England & Wales	100	Dormant
Attwoods Israeli Investments Limited	England & Wales	100	Dormant
Attwoods Limited	England & Wales	100	Dormant
Dorset Waste Management Limited	England & Wales	100	Dormant
SUEZ Recycling and Recovery Alternative Fuels Ltd	England & Wales	100	Dormant
Gulvain Energy Limited	Scotland	100	Dormant
Gurteens Limited	England & Wales	100	Dormant
Hemmings Waste Management Limited***	England & Wales	100	Dormant
LWS Collection Services Limited	England & Wales	100	Dormant
Nene Valley Waste Limited	England & Wales	100	Dormant
Ryton Waste Disposal Limited	England & Wales	100	Dormant
SHUKCO 303 Limited	England & Wales	100	Dormant
SHUKCO 323 LTD	England & Wales	100	Dormant
SHUKCO 336 LTD	England & Wales	100	Dormant
SHUKCO 337 LTD	England & Wales	100	Dormant
SHUKCO 338 LTD	England & Wales	100	Dormant
SHUKCO 341 LTD	England & Wales	100	Dormant
SHUKCO 342 LTD	England & Wales	100	Dormant
SHUKCO 343 LTD	England & Wales	100	Dormant
SHUKCO 345 LTD	England & Wales	100	Dormant
SHUKCO 350 LTD	England & Wales	100	Dormant
Sid Knowles Waste Limited	England & Wales	100	Dormant
Attwoods Holdings Limited	England & Wales	100	Dormant
SUEZ UK Limited	England & Wales	100	Dormant
SUEZ Recycling and Recovery UK Pension Plans Trustees Ltd	England & Wales	100	Dormant
Sortwaste Environmental Limited	England & Wales	100	Dormant
United Waste Property Limited	England & Wales	100	Dormant
United Water UK Limited	England & Wales	100	Dormant
Whinney Hill Stone Sales Limited	England & Wales	100	Dormant
Wilson Waste Management Limited	England & Wales	100	Dormant
Wm E Christer (Gravel) Limited	England & Wales	100	Dormant

b. Joint ventures

Company name	Country	Percentage Shareholding	Description
Lidsey Landfill Limited	England & Wales	50	Landfill site operator
NS NORM Limited	England & Wales	50	Nuclear decontamination
Glenfarg Organics Limited	Scotland	50	Waste management services

The group holds 50% of the shares and voting rights of the entities and therefore have recognised and accounted for them as joint ventures.

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

34. Subsidiaries, joint ventures and associates (continued)

c. Associates

Company name	Country	Percentage Shareholding	Description
Cornwall Energy Recovery Holdings LTD *	England & Wales	33	Holding company
Cornwall Energy Recovery LTD *	England & Wales	33	Waste disposal
Northumberland Energy Recovery Holdings LTD *	England & Wales	42.5	Holding company
Northumberland Energy Recovery LTD *	England & Wales	42.5	Waste disposal
South Tyne & Wear Energy Recovery Holdings Limited *	England & Wales	45	Holding company
South Tyne & Wear Energy Recovery Limited *	England & Wales	45	Waste management
Merseyside Energy Recovery Holdings LTD *	England & Wales	40	Holding company
Merseyside Energy Recovery LTD *	England & Wales	40	Waste management
West London Energy Recovery Holdings LTD *	England & Wales	33	Holding company
West London Energy Recovery LTD *	England & Wales	33	Waste management

All shares held are Ordinary Share Capital (including 'A' and 'B' Ordinary Share Capital) aside from SHUKCO LTD and SUEZ Recycling and Recovery Tees Valley Ltd where both Ordinary Share Capital and Preference Shares are held.

* Company has a 31 March year end as key customer is the local authority and thus it is considered beneficial for the company and the local authority to have co-terminus accounting periods.

** Direct investments of SUEZ R&R Holdings UK Limited. All other investments are indirect investments.

Registered office of all subsidiaries, joint ventures and associates is SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES. With exception of:

- Binn Landfill (Glenfarg) Limited - 15 Atholl Crescent, Edinburgh, EH3 8HA.
- Gulvain Energy Limited - 15 Atholl Crescent, Edinburgh, EH3 8HA.
- SUEZ Recycling and Recovery Northern Ireland Ltd - Cleaver Fulton Rankin Solicitor, 50 Bedford Street, Belfast, BT2 7FW.
- Glenfarg Organics Limited - Orchard Bungalow Offices, Binn Farm, Glenfarg, Perthshire, United Kingdom, PH2 9PX.
- SUEZ Recycling and Recovery Isle Of Man Ltd - Isle of Man Energy from Waste Facility, Richmond Hill, Isle of Man, IM4 1JH

*** SUEZ Recycling & Recovery Holdings UK Limited has provided the necessary parental guarantees under Section 479A of the Companies Act 2006, to enable the following companies exemption from audit.

Group Fabricom Limited	01677389
Hemmings Waste Management Limited	00676121
SHUKCO 340 Ltd	03301834
SHUKCO Ltd	01866716
SHUKCO 327 Ltd	03283501

SUEZ Recycling and Recovery Holdings UK Ltd

Notes to the financial statements for the year ended 31 December 2019

35. Post balance sheet events

Covid-19

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. The company is treating this as a non-adjusting post balance sheet event and therefore the judgements and estimates disclosed in note 3 have not been updated to reflect the impact of this event.

Claims Settlement

Since the balance sheet date, as mentioned in the Strategic Report on page 1, settlement claims on the EPC contractors relating to lost hours at the energy facilities in Cornwall and Wilton have now been settled. This resulted in £29.2m of other operating income being recognised in the Statement of Comprehensive Income, with a net impact on profit of £13.6m increase after the release of related balances recognised in prior periods and accruals for amounts to be passed on to associate companies.

Disputes

As detailed in note 3, events since the balance sheets have led to adjustments being made as a result of an ongoing dispute with a key public sector customer.