

Company Registration No. 02736095

Welbeck Waste Management Limited

**Annual report and financial statements
for the year ended 31 December 2022**



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Welbeck Waste Management Limited

Annual report and financial statements 2022

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Welbeck Waste Management Limited

Annual report and financial statements 2022

Officers and professional advisers

Directors

P Taylor (resigned 1 August 2023)

S J Longdon (appointed 2 August 2023)

V F Orts-Llopis

A Serrano Minchan (resigned 11 February 2022)

Registered Office

3 Sidings Court

White Rose Way

Doncaster

United Kingdom

DN4 5NU

Independent auditor

Ernst & Young LLP

Statutory Auditor

1 Bridgewater Place

Water Lane

Leeds

United Kingdom

LS11 5QR

Welbeck Waste Management Limited

Strategic report

The Directors present their strategic report on the affairs of Welbeck Waste Management Limited (“the Company”) for the year ended 31 December 2022.

Overview of Group

The Company is a direct subsidiary of FCC Environment (UK) Limited and its ultimate parent company is Fomento de Construcciones y Contratas, S.A. (“FCC”). FCC is a significant multi-national business listed on the Madrid stock exchange with operations in Europe, America, Africa, and the Middle East. FCC is among the top global players that deliver Environmental Services (including water and waste management), and has implemented a balanced business model, combining other activities such as Construction, Cement and Real Estate.

FCC’s financial capacity and depth of experience in the European waste infrastructure sector is backed by over 100 years of experience in operating municipal services contracts. This complements both the position of the Company and its 45 subsidiaries (together the “Group” or “FCC E UK”) as a leading waste management, recycling and renewable energy business, and the Group’s ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK. The core services provided by the Group are fully aligned with FCC’s strategic growth plans. The Group is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the UK, to meet existing legislative framework and emerging proposals to promote circular economy infrastructure, by recognising the true value of the materials we handle. The Board continues to look forward to the opportunities that are presented to the Group and its employees by virtue of FCC’s plans to expand and embed its operations in the UK.

The Board’s overarching strategy headline for our business is “From Waste to Resource”, which comprises four key components:

- Own the Waste
- Maximise the value of resources
- Produce renewable energy
- Provide 360 degree solutions

The Board sees the development of major waste infrastructure to support sustainable waste management and strategic long-term partnerships as key to the Group’s future business growth. It anticipates continuous activity and deployment of Group resources into recycling facilities, renewable energy projects, the development of innovative waste treatment solutions and the provision of regional waste management services and facilities. Energy from Waste (“EfW”) is a key component of the UK’s waste and resource strategy and, in combination with other treatment, recycling and recovery operations, backed up by landfill disposal for residues, is a strategy that represents a long term sustainable solution for meeting the Group’s clients’ diversion targets and for reducing our carbon footprint.

Commentary on the Company’s results is set out in the Results, dividends, and key performance indicators section.

Principal activities

The principal activity of the Company during the year ended 31 December 2022 was the handling, recycling, and disposal of waste materials.

The activities, strategies and risks affecting the Company are inextricably similar to, and dependent on, those of the Group, and consequently it is appropriate that the following narrative applies to the Group in its entirety.

The Group is one of the UK’s leading waste management, recycling, and renewable energy service businesses. It is a key player within the municipal waste management sector, with over 60 Local Authority clients across England, Wales and Scotland.

The Group provides a diverse range of cost effective and sustainable waste processing, recycling, treatment, disposal and energy recovery services for Local Authority and private commercial customers. During 2022, the Group received, treated, recycled, and disposed of 7.8million (2021: 7.9million) tonnes of household, commercial and industrial waste and managed around 160 operational waste management facilities. Through innovative solutions, the Group is committed to working with its Local Authority partners and industrial and commercial customers to respond to often complex and far-reaching waste management strategies, to meet the challenges of increased regulation from the UK and EU, and to improve upon waste management targets.

Welbeck Waste Management Limited

Strategic report

Business review

The Directors consider that the Company's business performance during the year was satisfactory. Details of performance are given in the Results, dividends, and key performance indicators section below.

Early in the year, Russia entered a military conflict with Ukraine and this action remains ongoing at the date of approval of the financial statements. The conflict has resulted in elevated levels of political instability and uncertainty across Europe and contributed to significantly higher fuel prices (gas, electricity, and oil derived products) as well as impacting supply chains.

The directors have considered the likely impacts on the business from the resultant inflation and supply chain disruption and continue to engage with suppliers to monitor and manage any potential issues. The Group and the Company has limited exposure to overseas markets as its customer base arises entirely in the United Kingdom. The Group is well positioned to withstand the worst impacts.

Results, dividends, and key performance indicators

The results for the year ended 31 December 2022 are set out on page 19. The loss for the financial year ended 31 December 2022 amounted to £0.8million (2021: £0.5million profit). The Company did not pay an interim dividend during the year (2021: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2021: £nil).

For the year ended 31 December 2022, revenue decreased by 28.7% to £10.3million (2021: £14.5million). The main drivers for this were a reduction in volumes together with a change in the mix of waste processed.

Operating loss in 2022 was £0.8million (2021: £0.7million profit). The decrease was driven mainly by the decreased revenue, a significant proportion of which was landfill tax, which is profit neutral. Movements in environmental provisions and the reversal of impairment in 2021 were also contributory factors.

FCC E UK manages its operations on a divisional basis and information regarding key performance indicators is included within the FCC E UK annual report. For this reason, the Company's Directors believe that the disclosure of further financial and non-financial key performance indicators for the Company is not appropriate for an understanding of the development, performance, or position of the business. Copies of the FCC E UK annual report can be obtained from the address in note 20.

Future trends and developments

The Directors consider that the climate agenda has become the climate crisis: public concern for the environment has never been greater, and government focus at all levels – internationally, nationally, and locally – has shifted significantly. In particular, the UK has committed to Net Zero carbon emissions by 2050 (2045 in Scotland), and new laws are taking shape under the emerging Environment Bill, informed by the 2018 Resources and Waste Strategy. The waste sector works collaboratively to ensure it is making a positive contribution to national and legally binding Net Zero obligations. Within this, the Directors believe that EfW is currently a vital part of today's waste hierarchy.

To tackle the environmental issues, the UK Government has presented to Parliament an ambitious range of measures to address how we better use our precious resources. The measures include a greater than ever emphasis on reduction, reuse and recycling aimed at shaping a new direction for resources and waste management to create a "cleaner, greener and more resilient country for the next generation".

By moving material further up the waste hierarchy away from landfill, the UK waste sector has already helped to reduce greenhouse gas emissions from landfill and has also enabled the UK to improve its municipal recycling rate. Whilst this represents a step towards achieving a Net Zero UK recycling and waste industry, in line with the Government's aspirations, challenges, and indeed opportunities, remain. A balance must be struck between complementing, rather than competing with, recycling. EfW plays an important role treating waste, generating electricity and heat as well as reducing the reliance on fossil fuels.

Welbeck Waste Management Limited

Strategic report

Future trends and developments (continued)

At FCC E UK, we wholeheartedly support the drive to more and better resource efficiency by reducing waste at source where possible – including the prevalence of single use plastics, reusing what we can and recycling valuable commodities. EfW is currently the best available and best proven technology to recover maximum value from end-of-life waste as an alternative to landfill. In doing so, EfW is contributing to reductions in landfill emissions, while also producing electricity – with the potential for heating local communities. The Group will also continue to pursue its stated four prong strategy of owning the waste, maximising the value of resource and investment in alternative waste treatment infrastructure and energy recovery technology whilst promoting the reduction of our carbon footprint.

Principal risks and uncertainties

Operating in the UK's highly regulated waste management market provides a clear legal framework as well as presenting numerous risks and uncertainties to the Group. The Directors regard the following to be the principal risks and uncertainties affecting the Group and their approach to managing these risks and uncertainties is considered below:

- **Covid-19:** The Group remains aware of the potential for disruption from new variants and is confident that it has appropriate procedures and action plans in place.
- **Environmental risks:** The Group's environmental risks are tightly controlled under environmental legislation enforced principally by the Environment Agency ("EA"), Scottish Environment Protection Agency ("SEPA") and Natural Resources Wales ("NRW"). Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. A dedicated in-house team prepare regular reports on environmental compliance at the Group's sites for the Director's review. Environmental objectives are reviewed annually and highlighted within the Group's Safety Health Environment and Quality (SHEQ) Policy Statement. In addition to this, there are detailed environmental procedures to enable compliance with environmental legislation.
- **Health and safety:** Health and safety is a key issue for the Group due to the nature of its operations, including the use of heavy plant equipment and difficult working conditions. The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives. Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously; through bulletins, on-line training courses and tool-box briefings. The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at Group sites to identify improvements and lessons for the business. All employees undertake a rigorous health and safety training programme, which is underpinned by the latest UK legislation, detailed policies and procedures. The Group's executive management receive regular, detailed reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Safety, Health, Environment and Quality Manager, to monitor and promote high standards. All employees are expected to recognise their role in achieving acceptable standards of health and safety and to exhibit such understanding through their approach and attitude to work.
- **Business continuity:** The Group, as part of its risk management programme, has developed business continuity planning for its operations. As part of this planning, the Group has developed a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region). The Group's IT systems are outsourced to a specialist infrastructure IT services company and are covered by an IT disaster recovery plan, to ensure business continuity.
- **Legislation:** The Group monitors forthcoming and current legislation to ensure full compliance and to anticipate and assess the impact upon its operations, including the significant opportunities it can present. The waste management industry is subject to extensive government regulation which has a substantial impact on the Group's business.
- **Economic:** The Group has exposure to reduced economic activity, and in the current year has seen waste volumes reduce where lower economic output has been a factor. We recognise shorter term uncertainty as a result of the Covid pandemic, Brexit and the Ukraine conflict, which have created inflationary pressures. This could result in higher borrowing costs generally. We have reviewed the potential impacts and consider that we have sufficient mitigations in place. The Group's strategy is focused on growing through further investment in EfW infrastructure projects.

Welbeck Waste Management Limited

Strategic report

Principal risks and uncertainties (continued)

- **Litigation:** The Group could be subject to litigation from time to time. The outcome of legal action is always uncertain and there is a risk that it may prove more costly and time consuming than expected. There is also a risk that litigation could be instigated in the future that could materially impact the Group. In some liability cases legal expenses are covered by the Group's liability insurance. This risk is mitigated through continued monitoring and employing an experienced and dedicated in-house legal team.
- **Competitive risk:** The Group operates in highly competitive markets in which competitors' service offerings may react faster to legislative and market dynamics than those of the Group. To mitigate this risk, the Group ensures that its asset, cost and capital base is regularly reviewed and flexed to meet changes in customers' demands and to maximise cash generation.
- **Employees:** The loss of key employees or the inability to hire experienced management personnel could have a materially adverse effect on the business. To manage this risk, succession planning for senior positions within the Group is undertaken. In addition, the Group has the benefit of being able to draw on wider resources from within the FCC Group.
- **Technology:** The Group relies on a variety of information technology platforms for the efficient delivery of its services and has therefore employed a structured IT support team, using internal and external resources. In addition, as there are a wide variety of technologies available to the waste management industry, there is a risk that the technologies employed by the Group might fail to deliver expected performance levels or end products for its customers and so the Group has made a significant investment into establishing a dedicated technical and development team. This team review and assess the available technologies before any are adopted to ensure they will meet the needs of the business and those of its customers.

Financial risk management objectives and plans

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, credit risk and liquidity risk. Due to the nature of the Company's activities and the assets contained within the Company's balance sheet, the only financial risks the Directors consider relevant to the Company are credit and liquidity risk.

Credit and liquidity risk

The Company's exposure to credit and liquidity risk is reduced as it is a wholly owned subsidiary of FCC E UK and participates in a cash-pooling agreement with the other members of the Group.

Credit risk arises from the risk of having credit exposures to customers, including outstanding receivables. The Company reviews the credit ratings of all significant customers regularly and continues to monitor the quality of debtor balances on an ongoing basis. Liquidity risk is the risk that the Company does not have sufficient cash resources to meet its commitments. The Company prepares and reviews cash flow forecasts frequently to ensure that it has sufficient resources to meet its cash flow commitments.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

Welbeck Waste Management Limited

Strategic report

Section 172 Statement

Section 172 of the Companies Act 2006 requires each director to act in the way they consider, in good faith, would be most likely promote the success of the Company for the benefit of its members as a whole, and in doing so have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the Company's reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The Board of directors have complied with these requirements. Details of the Board's decisions over the year to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout this Strategic report and in the Directors' report.

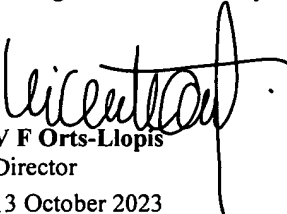
Details of our strategy are set out on page 2 of the Strategic report and page 8 of the Directors' report. The Strategic report highlights performance in the year against that strategy together with future trends and developments.

The employees section of the Directors' report describes actions taken by the Board to promote the interests of its employees together with the Board's attitude to maintaining the highest standards of honesty, openness and accountability of its employees to ensure that high standards of business conduct are maintained. The Group is also subject to the Code of Ethics issued by its parent company FCC which sets out guidelines for conduct including in relation to corruption and bribery.

The Company's main stakeholders are its members and employees. Open, constructive dialogue with our employees and other key stakeholders is critical to inform the Board's decisions. Details of how the Group has engaged with its stakeholders are set out on pages 11-14 of the Directors' report. Whilst the Board has overall responsibility for managing relationships with all our stakeholders, the day to day relationships are mainly managed through divisional senior management teams supervised principally through monthly management meetings between the divisional senior management teams and the UK based executive directors.

Operating within the UK's highly regulated waste management market, the Board's regard to the environment as well as the health and safety of all persons entering its sites is of paramount importance. How the Group addresses environmental, and health and safety risk is set out on page 4.

Approved by the Board of Directors
and signed on its behalf by:


V F Orts-Llopis
Director
13 October 2023

Welbeck Waste Management Limited

Directors' report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2022. Information on the Company's going concern status, financial risk management policies and dividends are disclosed in the strategic report.

Directors

The following individuals served as Directors of the Company during the year ended 31 December 2022 and up to the date of this report:

P Taylor (resigned 1 August 2023)
S J Longdon (appointed 2 August 2023)
V F Orts-Llopis
A Serrano Minchan (resigned 11 February 2022)

Directors' indemnities

During the financial year, qualifying third party indemnity provisions for the benefit of all Directors of the Company were in force and continue to be in force at the date of this report. Such provisions were made by FCC.

Future developments

The future developments of the Company are considered in detail in the Strategic report on pages 3-4.

Employees

The professionalism and commitment shown by the Group's employees over the past years during and since the pandemic and the challenges it brought was exceptional and continues to be a major contribution to its operations. The Board would again like to thank all employees for their hard work, dedication, and loyalty during the year.

Employees' ways of working changed during 2020 with staff adapting to home working and front line staff working within the safety parameters put in place by the Group. This has enabled the Company to continue to provide its day to day services. Employees fully embraced new working patterns and to their credit made them work. The company successfully implemented hybrid working practices for non-operational roles during 2022 and continues to keep in place appropriate safety measures.

FCC E UK continues to be committed to ensuring that its policies and practices reflect human resource best practice. The Group's policy of equal opportunity gives all employees the same chance to succeed, irrespective of age, race, nationality, ethnic origin, disability, membership of a trade union, sex or marital status.

The Board is dedicated to maintaining the highest standards of honesty, openness and accountability and recognise that employees have an important part to play in achieving this goal. All employees are encouraged to report any concerns they may have over wrongdoing at work via an independent confidential reporting (whistleblowing) service that employees can access should they feel uncomfortable in approaching management.

Training continues to be a high priority for the Group, and it recognises that it is vital that its employees have the relevant skills to take up the new and exciting roles that are being created as the industry, and therefore the business, evolves. We had to make adaptations to the way we provided training with much delivery moved to online provision. We have continued to pay particular attention to succession planning in the business and developing our future leaders and bringing new talent into the business by way of apprenticeships and graduate programmes.

We believe our employee value proposition is one that makes us a go to company to work for and this is reflected in higher rates of engagement by our employees.

Welbeck Waste Management Limited

Directors' report

Statement of Corporate Governance

The directors recognise their responsibilities under Section 172 Companies Act 2006, which places them in a position of trust with regards to broader stakeholder interests when carrying out their duties to promote the success of the company.

For the year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the Board has applied the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council in December 2018 (the "Principles"). These Principles provide a framework for ensuring that the Company is well run, well managed and aligned behind a clear purpose.

FCC Environment (UK) Limited ('FCC') is one of the UK's leading waste and resource management companies. Our approach is to minimise the amount of waste that ends up in landfill by transforming it into valuable resources wherever possible. We are helping shape the policy landscapes, ensuring that our people, systems, and strategy remain innovative and focused on delivering excellence.

The FCC Board proudly supports the waste industry in driving greater action on carbon emissions, to which our EfWs are making an important contribution. Together with the business as a whole "Net Zero" has taken front of stage, and we are proud to support the industry in driving greater action on carbon omissions. Along with the introduction of electric vehicle trials and the provision of rail hubs, which mark a significant reduction in road haulage, these moves make us resilient, responsive, and most importantly, sustainable.

The Company shares in common its Chief Executive Officer and Chief Financial Officer with the FCC E UK Group and FCC's wider UK Environment business. As a result, there is uniformity and consistency of strategy, policies, procedures, and decision making across FCC's integrated UK Environment business. To reflect this, the following narrative on the Directors' application of the Principles, has been consistently reproduced in the annual report and financial statements of each FCC UK Environment business subsidiary and therefore some narrative may not be directly relevant to the Company.

Principle 1 – Purpose and Leadership

As one of the UK's most trusted resource and waste management businesses, we are a modern progressive company and pride ourselves on innovation and being part of a huge shift in attitudes and changing operations. As COP26 took place in the UK in 2021, we were able to take stock of our achievements, and recognise the innovation and dedication taking place within our business. FCC is uniquely placed to provide services in an ever changing waste sector, turning our attention to carbon impact, driving reuse at our local authority sites and reducing the carbon associated with our day to day activities. At heart we are a recycling company, but we also take our stewardship seriously.

FCC has invested in a wide range of waste management facilities that aim to minimise the amount of waste disposed of at landfill sites by processing the material to ensure it reaches its full potential as a valuable energy resource. Also, through land restoration, we carefully manage our sites to provide valuable habitats, grow low carbon fuels and even process contaminated soils for reuse.

At FCC, we look after the detail, all the while playing an active role on the industry stage. We contribute to policy debate with industry bodies such as the EA, WISH, BSC etc., while making sure the day to day details are taken care of. Above all, we value resources and tailor our services to maximise value. In 2021, FCC launched a comprehensive new report, "Mapping the Politics of Waste" to examine the legislative changes and key challenges facing the waste and recycling sector. The report also set out the opportunities for the industry in the run up to the 2024 General Election.

As described on page 2, the Group's strategy and core services are fully aligned with FCC's strategic growth plans.

Welbeck Waste Management Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 2 – Board Composition

The Board is collectively responsible for promoting the long term success of our business. The Company has two directors, comprising of the Chief Executive Officer and the Chief Financial Officer, to ensure that the effectiveness and accountability of the Board fulfils the strategic needs of the Company and the wider FCC Group.

The Board leads and provides direction by promoting effective decision making and supports the delivery of the Company's strategy. Our Senior Management Team (SMT), with its extensive expertise, skills, and professional backgrounds, provides the Board with leadership assurance that the activities within our various business divisions are aligned to our strategic goals. Each division of the Company is headed up by a member of the SMT, with the expertise to allow them to focus independently, effectively, and objectively on the issues specific to their division.

The Board receives monthly updates from the SMT, providing an overview of each division, both in terms of performance and strategy, as well as issues relating to wider stakeholder matters.

Principle 3 – Directors Responsibilities

The Board supports our talented workforce, upholds our commitment to sustainability and has collective responsibility for the strategy of the Group, which is outlined in our strategic report on page 2. The SMT team oversee the day to day responsibilities and opportunities of our exceptional workforce.

The Board has established and maintained effective corporate governance with reference to the Group's four values:

- Environmental commitment: Ensure what we do is environmentally and socially responsible
- Forward thinking: Embrace change and prepare for the future
- People focus: Value, reward and motivate our team
- Doing the right thing: Secure our future by being better at what we do

We want our company to be shaped by the values we hold and through the people we work with as we all work together towards the same goal. This starts with how we treat our employees, our colleagues, and our customers. These values are the most important hallmarks of our Group.

Our vision is to be an international reference Employee Services Group that offers global and innovative solutions for the efficient management of resources and the improvement of infrastructures. This will enable us to continue to contribute to improving the quality of the life of employees and the sustainable progress of society.

FCC continues to put its people first when it comes to their health, safety, and wellbeing. In order to measure this, we use Workday software to run engagement surveys every two months. This helps us to identify issues that are important to our staff and that we can action. We can also measure responses to specific issues we want feedback on. This helps us formulate and improve the employee experience.

Keeping ourselves, our customers, and our visitors safe is at the centre of the business values, and the Directors at FCC together with the SMT, never lose sight of the potential hazards that exist in the workplace.

In 2022 FCC submitted itself to a 3rd British Safety Council 5 Star Audit process, where it attained a score of 97.71%. A score of 92% - 100% = (Excellence) = 5 Star Rating. This exceeds previous scores of 93.91% and 94.97% in 2016 and 2020. This is an excellent track record showing a record of continual improvement. We hope to be awarded our third Sword of Honour in 2023.

The Code of Ethics and Conduct suite provides practical insight into the values shared across the FCC Group, enables a more robust culture of compliance and supports the creation of long term value for our projects. Supported by our Spanish parent company, the Compliance Committee regularly review our governance protocol and continually seek to improve our Policies and Procedures. Through training and expert guidance, the Committee oversee the Stewardship of the Group, ensuring the highest standards are always maintained.

Welbeck Waste Management Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 4 – Opportunity & Risk

In 2020, FCC entered into a new investment partnership with iCON Infrastructure LLP, aimed at fast-tracking investment into our existing Energy from Waste facilities in the UK at Allington, Eastcroft, Greatmoor, Lincoln and Millerhill, along with the potential for new low carbon energy plants. FCC and iCON combine their expertise and resources in providing low carbon energy infrastructure to help the UK meet its net zero ambitions and contribute to a better environmental outlook.

We want to be known as a company that looks after the needs of its customers and the environment. Our focus is to build a reputation for providing sustainable solutions that helps clients meet their legislative, corporate responsibility and commercial requirements. To do this, we are placing recycling and green energy at the heart of our business, along with a strong focus on waste management solutions for our commercial, industrial, and municipal customers.

Risk and Opportunity management is a central and integral part of the FCC's strategic management process, providing a platform to ensure that the risks and opportunities attached to the business form part of the activities in achieving FCC's strategic goals. FCC undertakes a number of waste management activities that are exposed to a range of socio-economic settings and regulatory frameworks, meaning it is exposed to both the inherent risks of its activities and those associated within the wider waste industry.

Risk and opportunity management is a culture, process, and structure to identify potential risks that will affect the business or opportunities which could enhance it.

The process of risk and opportunity management also provides management with a tool to improve decision making and offers a framework to effectively manage uncertainties, adequately respond to risks and identify opportunities to ensure that values are created, protected, and enhanced.

FCC has a Risk and Opportunities Management Model designed to obtain a reasonable level of security concerning the achievement of strategic and financial objectives, effectiveness and efficiency in the operations, compliance with the legislation and reliability of information. This Model is based on actions to implement, develop, and continuously improve a framework and a structure that integrates the risk and opportunities management process into the organisation's Corporate Governance, the preparation of the strategy and the planning, management, and information processes, all while remaining aligned with the values and the culture of the business.

This process is designed to identify possible events that could affect the organisation's objectives and to manage uncertainty within the accepted level of risk in order to find a balance between growth, profitability and associated risks.

The principal risks and uncertainties affecting the Group are set out in detail in our Strategic Report.

Principle 5 – Remuneration

The remuneration of the FCC UK Board members is controlled by its parent company, FCC SA. The regulations of the Board of Directors stipulates that the remuneration of directors should be in reasonable proportion to the importance of the company, its economic situation at all times and the market standards for comparable companies. The aim of the established remuneration system is to promote the long-term profitability and sustainability of the company and should include the necessary precautions to avoid excessive risk taking and reward for unfavourable results.

The Board promotes appropriate and fair levels of remuneration to attract and retain the best talent and create a business culture that promotes business stability, sustainable growth and the long term success of the Group.

From April 2017, the Government introduced gender pay gap reporting for all companies with more than 250 employees. The gender pay gap shows the difference between the average hourly pay for men and women across all ages, roles, and levels. The gender pay gap differs from equal pay, which is the right for men and women to be paid at the same rate of pay for work of equivalent value. Our latest gender pay gap data for 2022 reported that we had no gap for women in our workforce during the snapshot period. This is because we have a high proportion of women in non-manual support, technical and managerial roles within the business. These roles are typically paid higher than male dominated roles.

Welbeck Waste Management Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 6 – Stakeholders

The Board is committed to promoting accountability and transparency with all stakeholders, fostering effective stakeholder relationships and meaningful engagement. We wish to build honest and enduring relationships, and seek to work with others, who share our ethics in compliance, and our commitments to the safety and wellbeing of our employees. This also helps us overcome current challenges and understand future requirements, provide advice & develop innovative and cohesive solutions that meet these future challenges by using both our local and industry knowledge.

FCC's UK Environment business, which includes the FCC E UK Group has:

- Over 2,300 employees in the UK (7 in the Company)
- 100 major contracts with a total of 60 local authorities
- 280 UK sites of which 166 are operational. We operate 88 HWRCs, 37 Transfer Stations and 9 MRFs
- 7 PFI and PPP Contracts
- 6,000 business waste customer agreements
- Over 2,500 customer accounts

Our people are outstanding. We attract committed, creative thinkers, and work hard to help them thrive. Our collection crews are award-winners, and our graduates, managers, engineers and leaders value teamwork, partnership and add value at every stage of our business.

We collect and recycle waste from 1.3million people in the UK, of which 1.1m tonnes are recycled. We collected 1,808 tonnes of reuse material through our Re-Use Scheme. The Re-Use shops generated £1.7m in revenue for our charity partners.

Stakeholders are at the forefront of our business. Liaison with trade customers, partner councils and local authorities is fundamental to ensuring that we understand their needs and continue to deliver the services that they require. Engagement with regulatory bodies via industry organisations such as ESA and WISH is critical to ensuring that we manage the risks set out in the Strategic report and remain compliant with applicable laws and regulations. Page 9 of the Directors' report sets out details of our employee engagement programme.

In 2022, the Group engaged with various stakeholders and below are some examples:

FCC Communities Foundation is a not for profit company that awards grants to communities, environmental and heritage projects through the Landfill Communities Fund and the Scottish Landfill Communities Fund. Funding is donated by FCC as part of a voluntary environmental tax credit scheme to divert a small percentage of landfill tax to projects in England and Scotland.

FCC Communities Foundation currently operates two open grant programmes and an invitation only programme:

- FCC Community Action Fund (CAF) – for projects in England, this programme has four rounds per year. Applicants can apply for funding of between £2,000 and £100,000 and the total project cost must not exceed £500,000. 170 applicants applied for CAF funding during 2022 and 109 projects were awarded funding totalling £5,567,770.
- FCC Scottish Action Fund (SAF) – for projects based in Scotland, this programme has two rounds per year. Applicants can apply for funding of between £2,000 and £40,000 and the total project cost must not exceed £250,000. 31 Applicants applied for SAF funding during 2022 and 14 projects were awarded funding totalling £359,648.
- FCC Flagship Programme – for organisations in England invited by the Board of FCC Communities Foundation to apply for regionally or nationally significant projects where the level of funding required prohibits them from applying through the FCC Community Action Fund. 5 organisations were invited to submit applications and 4 applications were received totalling requests of £948,000. Three were awarded funding totalling £750,000.

Welbeck Waste Management Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 6 – Stakeholders (continued)

All applicants were appraised to ensure funding went to projects which were compliant with the relevant legislation and also delivered positive and tangible outcomes for the communities.

During 2022, 120 CAF projects and 21 SAF projects completed and claimed their funding.

January 2022

£41,000 was raised for Pilgrims Hospices in East Kent by collecting and recycling Christmas trees.

FCC Environment's first pop-up Repair Café was launched. A team of volunteer repairers met in Amersham ready to help people fix their belongings. FCC and Buckinghamshire Council provided support to the café by providing Portable Appliance Testing training to upskill volunteers and FCC staff were on hand to help on the day.

February 2022

FCC Environment announced that after a successful pilot scheme at its Deerplay landfill site, it was set to roll out microgeneration at nine of its landfill sites across the UK. This will allow installations to continue to operate below the 330KW thresholds, providing a more efficient and environmentally friendly operation and reduce our impact on the planet by reducing our carbon emissions through avoided omissions.

The Parliamentary Under Secretary of State in the Scotland Office visited our Millerhill Recycling and Energy Recovery Centre. He came to see for himself how waste that cannot be recycled is harnessed for energy generation. Millerhill's facility is a thermal treatment plant which process up to 155,000 tonnes of residual non-hazardous waste each year and is part of the City of Edinburgh and Midlothian councils' commitment to reducing the amount of waste being sent to landfill, in line with the Scottish Government's Zero Waste Plan.

March 2022

The team at one of our Household Waste Recycling Centres in Kent took time out from their day job to help Queenborough Town Council and Queenborough in Bloom with the preparation and painting of benches along the promenade as the Council made a start on getting the town ready for the Swale in Bloom judging.

As part of our new ways to power street cleaning and waste and recycling collection vehicles, we trialled two alternative fuels on waste and collection rounds in Wychavon. The first trial involved swapping a traditional diesel lorry for an electric refuse collection vehicle, which had a battery range of 125 miles and could operate for around 9 hours on a single charge. The second trial involved the use of Hydrotreated Vegetable Oil (HVO) to replace diesel as a fuel for the remainder of the Wychavon fleet. The fuel is made from different types of vegetable oil and could reduce greenhouse gas emissions by as much as 90% compared to diesel. The HVO is a straight drop-in diesel replacement that does not require any change to the engine.

Decarbonising waste and recycling collections was one of the key actions in Wychavon's Intelligently Green Plan to help meet the council's target to cut its own carbon emissions by 75% by 2030.

April 2022

As part of World Bee Day, which was celebrated on the 20th May, the FCC Group reported an increase to their portfolio of bug hotels. In addition to their three hotels in Poland, we now have a bug hotel here in the UK. This was in celebration of a new five year contract in Buckinghamshire. FCC and the council teamed up with a local charity "Men in Sheds" group to create bespoke bug hotels to encourage insect life and diversity at all of the sites.

Welbeck Waste Management Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 6 – Stakeholders (continued)

May 2022

47 children from Ashford Pre School were treated to a VIP trip around the Ashford Waste and Recycling Centre where pupils were able to get up close to the items no longer wanted, so that they could understand how the items were collected, separated and sent onwards for recycling or disposal. Before leaving, the pupils were asked to create a drawing about recycling. A collage of the winning design and the other drawings were made into artwork for the Ashford site.

The MP for West Hull and Hessle visited the reuse shop in Humberfield, run by Dove House Hospice in partnership with FCC, Hull City Council and East Riding of Yorkshire Council to see the work the organisation was doing to move resources higher up the waste hierarchy, diverting items from landfill and raising money for charity. Since opening in 2015 the shop has redirected 1,400 tonnes away from final disposal. This is the equivalent of thirty-one lorry loads. Dove House Hospice's mission is to provide expert specialist care to adults in the local area living with life limiting and terminal illness.

June 2022

FCC's former Household Waste Recycling Centre at Swanton Road in Norwich re-opened as a Reuse Drop Off Centre. This is now being run in partnership with a local charity The Benjamin Foundation and one of the largest multi-material recyclers in Europe, Precycle. This helps to breathe new life into second hand items, avoiding waste going to landfill, creating social value, and raising funds for charity. Many of the items passing through the site, including fridges and freezers are now being used to help support those in need throughout Norfolk, whom The Benjamin Foundation supports via the Norfolk Assistance Scheme.

July 2022

FCC Environment hosted another Pop-Up shop in their Dix Pit Household Waste Recycling Centre as part of their reuse revolution. An impressive 1,221.1kg of material was sold and given a new lease of life. The residents enjoyed a wide range of pre-loved bargains, whilst helping the global climate emergency by preventing these items going to waste.

As part of the Kent County Show, FCC Environment, and staff from across the Mid Kent Contract together with partners Kent County Council spoke with the public about the importance of recycling as part of the climate crisis we are facing. A large focus was placed on the correct recycling of batteries which can cause fires through the collection and recycling process. They also spoke to the public about how each separated material was recycled, and how plastics were treated at recycling centres.

August 2022

FCC Environment commenced construction works on the Drumgray Energy Recovery Centre at Greengairs in North Lanarkshire. This facility will be the sister plant to Greatmoor EfW and when completed, the state of the art Energy from Waste facility will be capable of treating 300,000 tonnes of residual household and business waste per year, enough to export circa 25.5MW of electricity and the potential to supply 40MW of heat to local homes and businesses. When operational, this project will support the Scottish Government's strategy to eliminate biodegradable waste to landfill through the Scottish landfill bank, which comes into force on 31 December 2025.

September 2022

FCC Environment welcomed their new graduates after they all successfully completed their two week induction into FCC. The Graduate Programme is an 18 month in-depth experience where they are involved with major projects and get the chance to make a huge impact, working closely with their mentors who support them on their journey. Also in September, FCC Environment, together with Buckinghamshire Council and its partners South Bucks Hospice, were encouraging new students moving into digs and halls to head down to one of our two reuse shops to kit themselves out with pre-loved bargains as part of their reuse revolution, saving their pocket and the environment.

Welbeck Waste Management Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 6 – Stakeholders (continued)

October 2022

FCC Environment were asked by the organisers of the Kop Hill Climb's Soapbox to assist with reuse items to help stage the event. This much loved fixture is an extracurricular activity for children aged 8 to 17 to participate, design, construct and maintain competition of a soapbox cart. FCC Environment were asked if they could help provide everyday items that had been taken to the Recycling Centres, including wheels, metal frames and wooden pallets to help the children, with all items being returned for recycling after the race.

FCC Environment was proud to sponsor the Wigan Youth Climate event which took place in the borough. Wigan Council said that 120 staff and students from twelve primary schools, six high schools and two colleges across the borough took part in the youth led day.

November 2022

The winners of a Chorley Council climate change artwork competition saw their designs come to life on the side of recycling wagons. Earlier in the year, Chorley Council and FCC invited budding young artists to get creative and enter the Chorley Council artwork competition on the topic of climate change. The two winning entries by designers aged 9 and 10 are now installed on the side of Chorley Council recycling wagons. On the 19th November, the winners visited the depot where the trucks are based to see the designs for themselves.

FCC Environment together with Harborough District Council took first place in the Horticulture Excellence within Parks Award in the East Midlands In Bloom initiative. FCC Environment carry out the waste and recycling collections as well as the grounds maintenance in the Harborough area. The aim of the competition was to encourage the improvement of the surrounds through the imaginative use of trees, shrubs, flowers, and landscaping. It also aimed to achieve a litter free and sustainable environment.

December 2022

The leader of Harborough District Council thanked the Leicestershire Litter Wombles, a volunteer litter picking group, after marking their amazing milestone of collecting 100,000 bags of litter from across Leicester and Leicestershire, and also FCC Environment for working in partnership with them.

FCC announced that we were working in partnership with the UK's leading generator of low carbon power from captured methane to develop a new solar park at Winterton, Lincolnshire. This would be due to energise in April 2023 and would generate circa 4,300 MWh of renewable energy each year, which was enough to power more than 1,300 homes.

Welbeck Waste Management Limited

Directors' report

Directors' responsibilities statement

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

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

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 in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

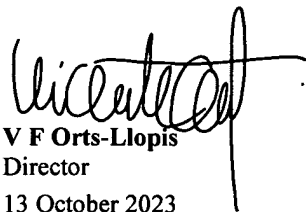
Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board of Directors
and signed on its behalf by:



V F Orts-Llopis
Director
13 October 2023

Welbeck Waste Management Limited

Independent auditor's report to the members of Welbeck Waste Management Limited

Opinion

We have audited the financial statements of Welbeck Waste Management Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period ended 31 December 2024 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Welbeck Waste Management Limited

Independent auditor's report to the members of Welbeck Waste Management Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Welbeck Waste Management Limited

Independent auditor's report to the members of Welbeck Waste Management Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

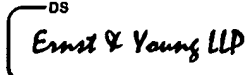
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework including, United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006 and the relevant tax compliance regulations in the UK. The Company also has to comply with general data protection regulations ('GDPR'), Health & Safety at Work Act, EU Directive on the Landfill of Waste, Environmental Permitting (England and Wales) Regulations, Employment Rights Act, Landfill Tax Regulations and Environmental Regulations.
- We understood how Welbeck Waste Management Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated this by reviewing supporting documentation to validate that the Company has a process for monitoring legal requirements and has a process for reporting matters of non-compliance and taking appropriate action.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by gaining an understanding of the Company's policies and making enquiries of management and those charged with governance. We also used data analytics and obtained the entire population of journals for the year, identifying the specific transactions for further investigation based on certain risk criteria. We understood the items identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry of management and those charged with governance as to any fraud identified or suspected in the period or any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the Company. We assessed the risk of management override of controls through enquiry of management as well as testing of a sample of journal entries based on certain risk criteria, challenging the judgements made by management through corroborating the basis for those judgments to supporting documentation and considering contradicting evidence.

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

Use of our 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.

^{DS}
The logo for Ernst & Young LLP, featuring the company name in a stylized font with a horizontal line underneath.

Richard Lingwood (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
13 October 2023

Welbeck Waste Management Limited

Statement of comprehensive income For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	4	10,330	14,483
Staff costs	6	(321)	(320)
Other operating expenses		(9,746)	(12,885)
Depreciation		(1,085)	(1,014)
Net reversal of impairment of assets		-	459
Operating (loss)/profit		(822)	723
Finance costs	8	(233)	(156)
(Loss)/profit before taxation	5	(1,055)	567
Tax on (loss)/profit	9	223	(74)
(Loss)/profit for the financial year		(832)	493
Other comprehensive result for the year, net of tax		-	-
Total comprehensive (expense)/income for the year		(832)	493

The notes on pages 22 to 35 are an integral part of these financial statements.

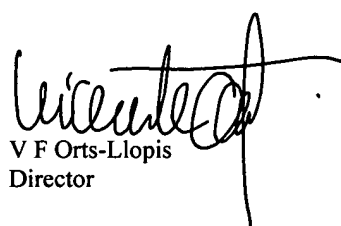
Welbeck Waste Management Limited

Balance sheet As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,120	4,112
Other receivables	11	207	1,987
Deferred tax	14	141	57
		<u>3,468</u>	<u>6,156</u>
Current assets			
Other receivables	11	15,178	13,204
Total assets		<u>18,646</u>	<u>19,360</u>
EQUITY AND LIABILITIES			
Share capital	15	-	-
Retained earnings		7,329	8,161
Total equity		<u>7,329</u>	<u>8,161</u>
Non-current liabilities			
Provisions for liabilities	13	3,065	2,593
Current liabilities			
Other payables	12	8,097	8,235
Provisions for liabilities	13	155	371
		<u>8,252</u>	<u>8,606</u>
Total liabilities		<u>11,317</u>	<u>11,199</u>
TOTAL EQUITY AND LIABILITIES		<u>18,646</u>	<u>19,360</u>

The notes on pages 22 to 35 are an integral part of these financial statements.

The financial statements of Welbeck Waste Management Limited, registered number 02736095 were approved by the Board of Directors and authorised for issue on 13 October 2023. They were signed on its behalf by:


V F Orts-Llopis
Director

Welbeck Waste Management Limited

Statement of changes in equity For the year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total £'000
Year ended 31 December 2022			
At 1 January 2022	-	8,161	8,161
Loss for the year and total comprehensive income	-	(832)	(832)
At 31 December 2022	-	7,329	7,329
Year ended 31 December 2021			
At 1 January 2021	-	7,668	7,668
Profit for the year and total comprehensive expense	-	493	493
At 31 December 2021	-	8,161	8,161

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

1. Corporate information

Welbeck Waste Management Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006, registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report.

2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") issued by the Financial Reporting Council.

The functional and presentational currency of Welbeck Waste Management Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Exemptions for qualifying entities under FRS 101

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

- (a) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*;
- (b) The requirements of paragraphs 62, B64(d), B64€(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- (c) The requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (d) The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*;
- (e) The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73€ of IAS 16 *Property, Plant and Equipment*; and
 - iii. paragraph 118€ of IAS 38 *Intangible Assets*;
- (f) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;
- (g) The requirements of IAS 7 *Statement of Cash Flows*;
- (h) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (i) The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- (j) The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (k) The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*.

Where relevant, equivalent disclosures have been given in the consolidated FCC E UK group financial statements, copies of which are available from its registered office at 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

New and amended IFRS standards that are effective for the current year

New amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2022 are listed below. The amendments had no material impact on the Company's results:

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter) (mandatory for the year commencing on or after 1 January 2022).
- Amendments to IFRS 3 *Business Combinations* updating a reference to the Conceptual Framework (mandatory for the year commencing on or after 1 January 2022).
- Amendments to IFRS 9 *Financial Instruments* resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (mandatory for the year commencing on or after 1 January 2022).
- Amendment to IFRS 16 *Leases* to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification (mandatory for the year commencing on or after 1 April 2021).
- Amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (mandatory for the year commencing on or after 1 January 2022).
- Amendments to IAS37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous (mandatory for the year commencing on or after 1 January 2022).

Going concern

At 31 December 2022 the Company had net assets of £7.3million and net current assets of £6.9million.

The Company does not have a bank account. It is a subsidiary within the FCC Environment (UK) Limited ("FCC E UK") group of companies whose banking, invoicing and collections and payables and procurement services are grouped and managed via an agency agreement with a fellow subsidiary of FCC E UK, FCC Recycling (UK) Limited ("FCC R"). All cash movements relating to the Company's transactions are processed through the banking facilities of FCC R and form a part of the inter-company balances between the Company and FCC R.

The Directors have assessed the responses from their enquiries to the immediate parent company, FCC E UK, in connection with the agency agreement and have reviewed projected cash flows, and carefully considered the risks to the Company's trading performance and cash flows. They have considered the forthcoming period ended 31 December 2024 from the date of signing of the financial statements, and have identified no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern.

The Directors therefore continue to adopt the going concern basis in preparing the Annual report and financial statements.

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

Property, plant, and equipment

Property, plant, and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant, and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Landfill sites	-	based on the void used in the period as a proportion of total void
Land and buildings	-	over 25 to 50 years
Plant and machinery	-	over 3 to 20 years
Motor vehicles	-	over 4 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Expenditure on freehold landfill sites and licence agreements includes engineering costs. Elements of these costs are classified according to their expected economic life and depreciated accordingly in proportion to the rate that waste is deposited. All other assets are depreciated on a straight-line basis.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in comprehensive income as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating unit ("CGU") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning and aftercare costs

Full provision is made for the net present value ("NPV") of the Company's projected costs, in respect of decommissioning liabilities at the Company's landfill sites, which have been capitalised in tangible fixed assets. The Company provides for all projected aftercare costs over the life of its landfill sites, based on the volumes of waste deposited in the year, since liabilities in relation to these costs arise as waste is deposited.

All long term provisions for decommissioning and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 6.0% for 2023, 3.0% for 2024 and 2.0% thereafter and discounted at 4.1% to calculate the NPV.

Taxation

Revenue, expenses, and assets are recognised net of the amount of sales tax except:

- * where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- * debtors and creditors are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of debtors or creditors in the balance sheet. Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable surplus for the year using average tax rates in place during the financial year, and any adjustments in respect of previous periods. Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is recognised for all temporary differences:

- * except where the deferred income tax liability arises from the initial recognition of goodwill, non-tax deductible goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- * in respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

Taxation(continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue

Revenue, including landfill tax, is stated net of VAT and trade discounts, and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Revenue is recognised in respect of waste disposal services when the waste has been received and disposed of. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Employee benefits

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

The Company also operates a defined contribution scheme on behalf of its eligible employees. Contributions to the scheme are charged to the profit and loss account for the year in which they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Provisions – Under environmental legislation and through regulation and planning consents, the Company is obliged to decommission and restore landfill sites to a prescribed standard. The elements included in the decommissioning provision are those projected costs which will be required to close down any given site in compliance with its environmental permit, planning conditions, and contractual and lease requirements. The provision is limited to costs incurred in the immediate closure and decommissioning period.

As well as decommissioning a site, the Company is obliged under its environmental permits and planning permission to manage a site for a period of up to 60 years or until it becomes inactive. As a result, in addition to provisions for decommissioning, the Company also establishes provisions for aftercare. Elements included in the provision are those projected costs which are required to ensure that a landfill site is properly managed in compliance with its environmental permit, planning conditions and lease terms during its closed phase.

In addition to the decommissioning and aftercare provisions, the Company makes provision for other costs relating to regulatory and environmental compliance to be incurred on items such as capping and leachate

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Disposal. These provisions are based principally on measurement and survey data and some engineering estimates, including cost assumptions. Estimating provisions over long time periods requires a number of assumptions and judgements to be made. Significant reductions in the estimates of the remaining site lives of the landfill sites or significant increases in estimates of decommissioning costs or aftercare costs due to changes in regulatory requirements or estimates could have a substantial impact on the value of the provisions.

Annual inflation rates of 6.0% for 2023, 3.0% for 2024 and 2.0% thereafter have been assumed over the period of cost relating to the provisions and the provisions have been discounted at 4.1%. See note 13 for further disclosures relating to the provisions.

Due to the long-term nature of provisions, they are sensitive to changes in the real discount rate. Management has performed sensitivity analysis to illustrate the possible impact on provisions of changes to the real discount rate. A reduction in the discount rate of 0.1% would lead to a charge of approximately £56,000 to the income statement. An increase in the discount rate of 0.1% would lead to a credit of approximately £54,000 to the income statement. See note 13 for further disclosures relating to the provisions.

Property, plant and equipment –Property, plant and equipment are tested for impairment where an indication of impairment exists. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual future cash flows could vary from those estimated. Factors such as closure of facilities and declining volumes could result in shortened asset lives or impairment. Management review and update the discount rates used annually. The discount rates used may also have an impact on the estimation of future cash flows. See note 10 for further disclosure.

4. Revenue

Revenue, including landfill tax, was generated in the United Kingdom from the handling, recycling, and disposal of waste materials.

5. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after (crediting)/charging:

	2022 £'000	2021 £'000
Increase/(decrease) in environmental provisions on revision of estimate of future costs (included within provisions charge)	388	(168)
Depreciation of property, plant, and equipment – owned	1,085	1,014
Reversal of previous impairment of property, plant, and equipment	-	(459)

Auditor's remuneration in respect of audit fees totalling £10,000 (2021: £10,000) has been met by FCC Recycling (UK) Limited, a fellow subsidiary undertaking of FCC E UK.

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

6. Staff costs

The average monthly number of employees (including executive directors) employed by the Company during the year was:

	2022 Number	2021 Number
Operational	7	8

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	268	267
Social security costs	30	29
Pension costs (see note 16)	21	22
Other staff costs	2	2
	<u>321</u>	<u>320</u>

7. Directors' remuneration and transactions

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2022 or the previous financial year.

They are remunerated as directors or employees of FCC E UK for services to the Group as a whole and as such it is not possible to directly attribute any element of their remuneration to services as a director of this Company.

8. Finance costs

	2022 £'000	2021 £'000
Unwinding of discount (note 13)	<u>233</u>	<u>156</u>

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

9. Tax on (loss)/profit

	2022 £'000	2021 £'000
Current tax		
United Kingdom corporation tax at 19% (2021: 19%) based on (loss)/profit for the year	(139)	-
Total current tax	(139)	-
Deferred tax		
Origination and reversal of timing differences	(80)	138
Adjustments in respect of prior years	(4)	(64)
Total deferred tax (see note 14)	(84)	74
Total tax (credit)/charge	(223)	74

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. As a result, deferred tax balances as at 31 December 2022 are measured at 25% (2021: 25%).

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

The total tax (credit)/charge for both the current and previous year differs from the average standard rate of 19% (2021: 19%) for the reasons set out in the following reconciliation:

	2022 £'000	2021 £'000
(Loss)/profit before tax	(1,055)	567
Tax on profit/(loss) at average standard rate	(200)	108
Effects of:		
Expenses not deductible for tax	(19)	30
Adjustment in respect of prior years – change of tax rate	-	(28)
Adjustment in respect of prior years – other	(4)	(36)
Total tax (credit)/charge	(223)	74

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

10. Property, plant, and equipment

	Landfill sites £'000	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2022	28,749	3,027	342	8	32,126
Additions	73	-	20	-	93
Disposals	-	-	-	(8)	(8)
At 31 December 2022	28,822	3,027	362	-	32,211
Depreciation					
At 1 January 2022	24,682	2,989	335	8	28,014
Charge for the year	1,075	5	5	-	1,085
Disposals	-	-	-	(8)	(8)
At 31 December 2022	25,757	2,994	340	-	29,091
Net book value					
At 31 December 2022	3,065	33	22	-	3,120
At 31 December 2021	4,067	38	7	-	4,112

The CGUs of the Company comprise individual sites which constitute the smallest identifiable group of assets that generate inflows that are largely independent of the cash inflows from other assets or groups of assets. The carrying value of the individual sites is compared to the recoverable amount of the CGUs, which is based predominantly on value in use. The cash flow forecasts have been projected on a life of site basis applying growth rates based on assumptions which include market size and volumes, recyclate prices, gate fees and the future level of landfill tax. For certain CGUs the recoverable amount is determined by reference to the fair value less costs to sell of the underlying assets using internal and external valuations of property, plant and equipment and management's estimate of disposal costs.

Management estimate discount rates that reflect current market assessments of the time value of money and the risk specific to the CGUs of 9.4% (2021: 7.6%). The growth rates are based on industry growth forecasts and longer term, on gross domestic product.

As part of the impairment review process, previous impairments totalling £nil (2021: £459,000) were reversed. This was a result of changes in the estimates used to determine the recoverable amount of CGUs, based on future expected cash flows arising from changes to the future strategy and expectations of the business.

Management has performed sensitivity tests on the discount rate used. An 1% increase in the pre-tax discount rate would result in a reduction in impairment reversal of £nil (2021: £77,000), whilst a corresponding 1% decrease would increase the impairment reversal by £nil (2021: £82,000). In both cases no impairments were indicated.

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

11. Other receivables

	2022 £'000	2021 £'000
<i>Current:</i>		
Amounts due from fellow subsidiary undertakings	15,178	13,204
<i>Non-current:</i>		
Amounts prepaid to fellow subsidiary undertaking	207	207
Amounts due from fellow subsidiary undertakings	-	1,780
	207	1,987

All amounts due from fellow subsidiary undertakings are unsecured, interest free and are repayable on demand. The amounts shown as non-current are not expected to be received within one year.

12. Other payables

	2022 £'000	2021 £'000
Amounts owed to fellow subsidiary undertakings	8,097	8,235

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and are repayable on demand.

13. Provisions for liabilities

	Other provisions £'000	Decomm- issioning £'000	Landfill aftercare £'000	Total £'000
At 1 January 2022	1,364	323	1,277	2,964
Charged to statement of comprehensive income	325	-	398	723
New/(revision of) provisions capitalised in tangible fixed assets	2	(74)	-	(72)
Unwinding of discount (note 8)	105	27	101	233
Expended in year	(628)	-	-	(628)
At 31 December 2022	1,168	276	1,776	3,220
Maturity 2022				
Current	155	-	-	155
Non-current	1,013	276	1,776	3,065
	1,168	276	1,776	3,220
Maturity 2021				
Current	371	-	-	371
Non-current	993	323	1,277	2,593
	1,364	323	1,277	2,964

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

13. Provisions for liabilities (continued)

Decommissioning and landfill aftercare

The Group provides for the estimated cost of decommissioning its landfill sites at the end of their operational life and for their subsequent aftercare. The aftercare period is generally expected to be 60 years and expenditure will be incurred throughout this 60 year period. These provisions are discounted at a rate of 4.1% from the date on which the expenditure is expected to occur. These provisions by their nature require a significant degree of estimation and hence there is a degree of uncertainty with regards to the timing and amount of outflows of economic benefit.

Other provisions

Other provisions include the estimated cost of discharging environmental liabilities, including current capping of open landfill areas and the disposal of leachate, which arise during the operational phase of its landfill sites. Capping expenditure occurs as landfill cells are completed, whilst expenditure on the disposal of leachate occurs throughout the lifecycle of a landfill site.

14. Deferred tax

Deferred tax assets are as follows:

	2022 £'000
Balance at 1 January 2022	57
Charged to statement of comprehensive income	84
Asset at 31 December 2022	141

	Liabilities		Assets		Net	
	2022	2021	2022	2021	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation (in excess of)/less than capital allowances	168	254	-	-	(168)	(254)
Short term timing differences	-	-	309	311	309	311
	168	254	309	311	141	57

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

15. Share capital and reserves

	2022 £	2021 £
Allotted, called-up and fully-paid		
19 'A' ordinary shares of £0.01 each	-	-
81 'B' ordinary shares of £0.01 each	1	1
102 'C' ordinary shares of £1 each	102	102
	<u>103</u>	<u>103</u>

The various rights attaching to the different classifications of shares are as follows:

Voting rights

The 'A' ordinary and 'B' ordinary shares carry 100% of the voting rights including the right to appoint Directors. There are no voting rights attached to the 'C' ordinary shares in any circumstances.

Rights to receive distributions

Neither the 'A' nor 'B' ordinary shares confer the right to receive any dividend or any other distribution from the Company. These shares are therefore classified as non-equity shares. The 'C' shares confer all rights to receive dividends and other distributions and are therefore classified as equity shares.

Rights in the event of a winding up

In the event of a winding up of the Company, the 'A' and 'B' shareholders have priority over the other shareholders up to the nominal amounts paid up on their shares. The 'C' shareholders are then entitled to receive an amount equal to their proportion of the nominal amounts paid up from the remaining assets of the Company.

Retained earnings

Retained earnings comprise of cumulative profits or losses, including unrealised profits or losses recognised in the statement of comprehensive income.

16. Retirement benefit schemes

Defined contribution schemes

The Company participates in the defined contribution scheme operated by FCC E UK on behalf of its eligible employees. The assets of the scheme are held separately from those of the Company in independently administered funds.

Defined benefit schemes

The Company participates in the defined contribution scheme operated by FCC E UK on behalf of its eligible employees. The assets of the scheme are held separately from those of the Company in independently administered funds.

Certain employees of the Company are members of the Citrus Pension Scheme (formerly LAWDC) in which FCC E UK is a participating employer. This is a defined benefit scheme, the assets of which are held independently of the Group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme. Further details regarding the scheme are provided in the financial statements of FCC E UK.

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

16. Retirement benefit schemes(continued)

Contributions to the scheme for the year are stated below. The agreed contribution rate which commenced from April 2022 is equivalent to 30.7% of pensionable member salaries per month. In addition, FCC E UK has agreed with the scheme trustee to pay an additional annual contribution of £1,960,000 until 2028 to meet the ongoing funding of the scheme.

An actuarial valuation of the scheme at 31 March 2021 indicated that the scheme was 81% funded based upon the minimum funding requirement basis. At 31 December 2022 the surplus on the FCC E UK section of the Citrus scheme, calculated on an IAS 19 basis, was £4,259,000 (2021: £814,000 surplus). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The contributions made by the Company under the different schemes during the year were as follows:

	2022 £'000	2021 £'000
Defined contribution schemes	13	15
Citrus defined benefit multi-employer pension scheme	8	7
	<u>21</u>	<u>22</u>

17. Contingent liabilities

- (a) The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the Group.
- (b) The Group must comply with the Environment Agency's financial provisioning requirements for its landfill sites in England and Wales, which is satisfied by providing financial security bonds. The total value of the bonds issued for this financial provisioning requirement at 31 December 2022 was £123.7million (2021: £113.8million) of which £2.7million (2021: £2.4million) related to the Company.

18. Related party transactions

The Directors regard all subsidiaries of FCC as related parties. In the ordinary course of business, the Company has traded with fellow subsidiaries of FCC.

Under FRS 101, the Company is exempt from disclosing related party transactions with other wholly owned subsidiaries of FCC.

19. Post balance sheet event

On 1 June 2023, FCC entered into an agreement with CPP Investments to sell 24.99% of the share capital of its subsidiary FCC Servicios Medio Ambiente Holding, S.A.U. (hereinafter referred to as "FCC Medio Ambiente") for a total amount of €965 million. FCC Medio Ambiente is the specialized branch within FCC SA Group to deliver environmental services and it is the owner of the environmental business in the UK including the Company.

As a consequence of this agreement, FCC and CPP Investments, agreed a mechanism whereby any closed landfill operations in the UK would be transferred out to an FCC SA subsidiary outside the perimeter of the FCC Medio Ambiente branch. This also applies to sites reaching closed status in the future.

Welbeck Waste Management Limited

Notes to the financial statements For the year ended 31 December 2022

20. Controlling party

The immediate parent of the Company is FCC Environment (UK) Limited, a company registered in England and Wales.

The Directors regard Fomento de Construcciones y Contratas, S.A., a company registered in Spain, as the ultimate parent company. The ultimate controlling party is Control Empresarial de Capitales, S.A. de C.V., a company registered in Mexico.

Fomento de Construcciones y Contratas, S.A. is the parent company of the largest group of which the Company is a member and for which group financial statements are drawn up. FCC Environment (UK) Limited is the parent company of the smallest group of which the Company is a member and for which group financial statements are drawn up. Copies of the financial statements of both FCC Environment (UK) Limited and Fomento de Construcciones y Contratas, S.A. are available from the Company Secretary, 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.