

REGISTERED NUMBER: 13801291 (England and Wales)

**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTOR AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022
FOR
VALENCIA WASTE MANAGEMENT HOLDINGS LTD**

PKF Smith Cooper
Prospect Place
Millenium Way
Pride Park
Derby
DE24 8HG



VALENCIA WASTE MANAGEMENT HOLDINGS LTD
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FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

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VALENCIA WASTE MANAGEMENT HOLDINGS LTD
COMPANY INFORMATION
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

DIRECTOR: P Hughes

REGISTERED OFFICE: Oil Depot
242 London Road
Stretton on Dunsmore
CV23 9JA

REGISTERED NUMBER: 13801291 (England and Wales)

**SENIOR STATUTORY
AUDITOR:** James Delve

AUDITORS: PKF Smith Cooper Audit Limited
Prospect Place
Millenium Way
Pride Park
Derby
DE24 8HG

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
GROUP STRATEGIC REPORT
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

The director presents his strategic report for period ending 30 September 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the disposal of residual waste in its open landfill sites, the restoration and aftercare of the closed landfill sites, and the active landfill gas management on all the sites in the Group's portfolio.

BUSINESS REVIEW

Business performance

Since the formation of the Group, the operational and financial performance has continued to improve. The focus has been on optimizing the gate fees the Group charges, being more selective on the type and blend of waste it takes to maximise the landfill gas production and rationalising the cost base. All of these initiatives have improved the profitability and cash generation of the Group. On acquisition the landfill gas assets and operations were transferred to a separate legal entity, Valencia Energy Limited, to allow each company to solely focus on its core operational activities. Arms-length contracts have been entered into for any inter-company services that are required. I am delighted to report that all this has been achieved whilst maintaining the highest health and safety standards and environmental compliance. No RIDDORs have been reported during this period.

Financial results

The Group continues to focus on its exemplary health, safety and environmental compliance whilst optimising the financial performance of the operations.

The Group's taxation position results in a charge for current tax of £94,960 and a deferred tax charge £12,590,000.

Loss for the period was £19,120,000 with £23,000 attributable to non-controlling interests.

Financing

The Group's external borrowing of £10,000,000 related to vendor Loan Notes taken as part of the consideration for the acquisition. Subsequent to the balance sheet date these Loan Notes were fully repaid.

Principal risks and uncertainties

From the perspective of the Group, the principal risks and uncertainties are related to any material changes to the tax and environmental legislation that currently govern the landfill industry that may affect the operational and financial performance of the Group. Management is not aware of any potential changes to the tax and environmental legislation that would have a material adverse impact on the business.

Financial risk management

The principle financial risks faced by the company are detailed below.

Interest rate risk

The UK economy is currently experiencing high levels of inflation and increases in interest rates. Where inflation has impacted on the costs the business is incurring, these price increases are reviewed and passed onto customers where possible to ensure that the Group continues to generate strong margins. The majority of customer contracts with a duration over 12 months contain annual indexation clauses in favour of the Group.

With respect to funding, the increases in interest rates are not considered to significantly impact the Group given the low level of variable debt that the Group holds, which has subsequently been repaid post the balance sheet date.

Credit & Cashflow risk

The Group's principal financial assets are bank balances and cash, and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowance for doubtful debtors. An allowance for doubtful debtors is made where there is concern over the recoverability of debtors as a result of the age of debts and the financial stability of customers. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
GROUP STRATEGIC REPORT
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

The Group mitigates its credit and cashflow risk by having robust credit control and cash management policies and procedures in place.

Key performance indicators ('KPI's)

The Group uses financial, compliance and environmental key performance indicators to good effect. These metrics include, but are not limited to, sales, margin contribution and operating income growth, RIDDORs & lost time incidents and the results from EA site visits. Management has programmes in place across the business to ensure visibility and empowerment and responsibility are instilled throughout the organisation from the top down.

ON BEHALF OF THE BOARD:

Patrick Hughes

Patrick Hughes (Dec 24, 2023 11:20 GMT)

.....
P Hughes - Director

Date: 24 December 2023

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
REPORT OF THE DIRECTOR
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

The director presents his report with the financial statements of the company and the group for the period 14 December 2021 to 30 September 2022.

The Directors' Report is prepared in accordance with the provisions of the Companies Act 2006 and regulations made thereunder. It comprises pages 4 to 7 as well as any matters incorporated by reference.

Information regarding the Company, including events and its progress during the year, events since the year-end and likely future developments is contained in the strategic report set out on pages 2 to 3.

In addition, and in accordance with s414C of the Companies Act 2006, the strategic report contains a fair, balanced and comprehensive review and analysis of the development and performance of the Group's business during the period and the position of the Group's business at the end of the period.

INCORPORATION

The group was incorporated on 14 December 2021.

DIVIDENDS

No dividends will be distributed for the period ended 30 September 2022.

FUTURE DEVELOPMENTS

The Group continues to grow and develop the core landfill waste business. The Group is investigating opportunities to develop Materials Sortation and Recycling Facilities on its open landfill sites to reduce the amount of recyclable material that currently goes into landfill sites. The Group is also looking to accelerate the restoration of the closed landfill sites and, once fully restored, aims to develop these sites for non-waste activities such as industrial or residential use.

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the financial statements.

DIRECTOR

P Hughes was appointed as a director on 14 December 2021 and held office during the whole of the period from then to the date of this report.

The director, being eligible, offers himself for election at the forthcoming first Annual General Meeting.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
REPORT OF THE DIRECTOR
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

ENVIRONMENTAL IMPACTS

The Group keeps a strong focus on our environmental performance and responsibilities, working closely with environmental regulators (the Environment Agency and Scottish Environment Protection Agency) to maintain high standards of operations and compliance, and to further reduce the risk of pollution incidents. In addition to the services the Group offers its customers for the safe management, treatment and disposal of hazardous wastes, our environment policy clearly commits us to minimising hazardous wastes used or produced and any impacts arising, as well as any (non-greenhouse gases) emissions to air. This is monitored via the performance, compliance and reporting of our operating environmental permit conditions.

DONATIONS

No political donations were made or political expenditure incurred and no contributions were made to a non-EU political party.

SECTION 172(1) STATEMENT

The director is aware of their duty under section 172 of the Companies Act 2006 to act in a way which they consider in good faith, would be most likely to promote the success of the Group for the benefit of the members as a whole and, in doing so, have regard to the matters set out in section 172(1) (a) - (f). Examples of how the Board approaches its decision making, in light of its obligations under section 172, and ensuring wider stakeholder engagement, are set out below.

S172(1)(a) The likely consequences of any decision in the long term

The Group's strategic objectives are; Leadership in UK landfill, Leadership in cost base efficiency and driving sustainable growth. The strategic objectives ensure the Group works towards achieving long term growth in a sustainable way. In creating the strategic objectives, the director also considers a host of external factors, such as the evolving economic and market conditions.

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

The director is a responsible employer, focused on employee engagement and communication, promoting a diverse and inclusive workforce and the continued development of our people in a safe working environment.

S172(1)(c) The need to foster the company's business relationships with suppliers, customers and others

The director demonstrates continued commitment to delivering quality of service, value for money and satisfaction to the Group's customers. It is ensured that the Group continues to foster key strategic and commercial relationships with our supply chain partners, with a focus on quality and sustainability, and focused delivery across the entire supply chain.

The director ensures the Group has open dialogue and transparent engagement with our regulatory bodies, policy makers and other stakeholders who shape our social contract.

S172(1)(d) The impact of the Group's operations on the community and the environment

The director is committed to providing educational programmes and community sponsorships and engaging in charity support initiatives. The Group maintain a proactive and positive relationship with our key environmental regulators the Environment Agency and the Scottish Environmental Protection Agency (SEPA).

S172(1)(e) The desirability of the company maintaining a reputation for high standards of business conduct

The director ensures a transparent approach to conducting business in a responsible manner, with a focus on maintaining good governance. The codes of conduct and policies which apply across the Group are regularly updated to ensure the highest of standards are adhered to.

S172(1)(f) The need to act fairly as between members of the company

The CEO of all the companies in the Group and the sole shareholder of the Ultimate Parent company ensures all activities between Group Companies are fair and equitable.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
REPORT OF THE DIRECTOR
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

ENGAGEMENT WITH EMPLOYEES

The Group is committed to the development of a working environment which encourages constructive and flexible forms of employee participation and which offers employees the opportunity to become involved in matters that affect them.

Occupational health and safety remain key elements of The Group's assessment of risk management. Training in skills acquisition and health and safety continues to ensure that employees have the knowledge and expertise to undertake their jobs to the best of their ability.

EMPLOYMENT POLICIES

The Group is committed to ensuring that no current or future employee is disadvantaged because of age, gender, religion, colour, ethnic origin, marital status, sexual orientation or disability. The Group's equal opportunities policy ensures that there is no bias or discrimination in the availability of training and opportunities for career development and promotion. The Group welcomes applications for employment from disabled persons and makes special arrangements and adjustments as necessary to ensure that disabled applicants are treated fairly when attending for interview or for pre-employment aptitude tests. Wherever possible, the opportunity is taken to retrain people who become disabled during their employment in order to maintain their employment within the Group.

STAKEHOLDER ENGAGEMENT

We are committed to carrying out our business in a responsible way and remain focused on continued dialogue our stakeholders. We continue to engage actively with all our stakeholders, including our customers, our communities, our people and our suppliers. Our continuous engagement allows stakeholders to provide feedback on the matters they consider to be important and any issues which they would like to be addressed.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Group Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with UK-adopted international accounting standards. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
REPORT OF THE DIRECTOR
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

CARBON AND EMISSIONS

Reporting period and Base year

Viridor Waste Management Limited was acquired from KKR on 31st March 2022 by Valencia Waste Management Holdings limited. Viridor Waste Management Limited subsequently changed its name to Valencia Waste Management Limited (VWML). As the business was an ongoing concern, a series of transitional arrangements were put in place between Viridor Limited and VWML.

Methodology and approach

Our approach follows the UK Government's Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance and the Greenhouse Gas Protocol Corporate Standard (collectively referred to here as the Reporting Guidelines). In calculating our emissions, we have used the 2021 UK Government Conversion Factors for greenhouse gas (GHG) reporting.

Organisational boundary

The emissions listed here cover all sources of environmental impact over which VWML has financial control. The emission report includes both VWML and the group figures (of which only VWML would also be disclosed).

Operational scopes

We report our Scope 1 and 2 emissions.

Market and location-based methodology

The Reporting Guidelines allow for the reporting of both 'market-based' and 'location-based' Scope 2 emissions from imported energy. However, currently VWML does not have any contract with third party renewable energy suppliers which ensure the supply is backed by Renewable Energy Guarantees of Origin (REGOs) allowing the contracted green tariff supply to qualify as zero carbon 'market based' emissions, therefore we report only our location-based emissions in our GHG emissions table below.

Targets

We are committed to our Environmental, Social, and Governance (ESG) principles. As one of the UK's leading landfill operators our ESG principles are at the foundation of everything we do. Operating, monitoring, and restoring all our landfill sites in a compliant, safe, and efficient manner to capture methane effectively and preserve the environment. We invest heavily and apply industry best practices to reduce the environmental impact of our operations. This includes robust contractual relationships with industry specialists to maximise methane capture for renewable power generation.

We are committed to creating a workplace, culture and services underpinned by sustainable principles within a clear strategy, where the protection of the environment is at the forefront of all the decisions undertaken. We will show this commitment by working collaboratively and supporting our employees, customers, the communities in which we operate, and anyone working with us or affected by our activities. The business remains committed to biodiversity conservation, habitat restoration, and ecological stewardship as part of its sustainability strategy.

To achieve this:

We are committed to continuously monitor and improve environmental performance across all our activities and to create a sustainable environmental culture by:

- Complying with all legislation, regulations, codes of practice and other requirements relevant to our business, and seeking positive relations with our regulators.
- Striving to control and mitigate risks arising from our activities and seeking ways to minimise our environmental impact.
- Ensuring progress towards greater sustainability collaboratively with our clients, customers, employees and supply chain partners. Our services will reflect our customers' aspirations and demands for 'zero waste'.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
REPORT OF THE DIRECTOR
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

- Acting to mitigate climate change and to prevent pollution. This will involve action to optimise energy and resource efficiency; maximising opportunities for renewable energy generation; and reducing the emissions of greenhouse gases. We remain committed to quality habitat creation, land restoration, stewardship and the protection of biodiversity and environmental protection as part of a wider sustainability strategy with agreed business targets.
- Operating through best practice to ensure the sustainability of our activities by maximising the efficiency of our natural and manmade resource uses; effective project and programme delivery; minimising waste and the generation of renewable energy.
- Reporting on and reducing our air emissions, releases, hazardous waste, materials and water use.

Intensity measurement

We report an intensity measure of Scope 1 and 2 gross emissions in tCO₂e per £1 of revenue.

VWML Waste Management greenhouse gas emissions

Category	6 months (1st Apr 2022 to 30th September 2022) (Location Based)
Scope 1 (tCO ₂ e)	432,890
Scope 2 (tCO ₂ e)	187
Total gross Scope 1 & Scope 2 emissions (tCO ₂ e)	433,076
Valencia Waste revenue (£)	42,980,667
Intensity measure: Total tCO ₂ e / revenue	0.01

Scope 1 (direct emissions) Activities owned or controlled by our organisation that release emissions straight into the atmosphere. For VWML, key Scope 1 emission sources include fugitive emissions from landfill, emissions from stationary plant, fugitive emissions from air conditioning plant and transport related emissions from our own vehicles and fleet, in tonnes of CO₂e.

Scope 2 (indirect emissions) Emissions released into the atmosphere associated with our consumption of imported electricity, in tonnes of CO₂e.

Energy Usage

Including self-supplied energy, VWML used 9,435 MWh energy in 6 months (Apr 2022 to September 2022). A breakdown of Group energy usage and associated data assessment methodologies is shown below.

Category	Methodology	Total Consumption 6 months (1st April 2022 to 30th September 2022)
Scope 1 - Energy used by fleet transport and Mobile plants. Red & white diesel. (MWh)	Fleet Transport based on verifiable data. Mobile plants based on estimated data.	8,557
Scope 2 - Imported grid electricity (MWh)	Based on verifiable metered data.	878
Total Energy Consumption (MWh)		9,435

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
REPORT OF THE DIRECTOR
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

Other carbon and energy reporting

	6 months (1st Apr 2022 to 30th September 2022) (Location Based)
Energy consumption used to calculate Scope 1 and 2 emissions including Electricity, Red & White Diesel consumption. (MWh)	9,435

Energy Efficiency Action Taken

In the period covered by the report the Company has installed LED lighting and is also in the process of replacing ventilation and air conditioning systems to improve the energy efficiency and performance of our assets. The fleet of vehicles and mobile plant have been upgraded and replaced to newer, more efficient models.

Financial risk management policy

The Company's financial risk management policy is set out in the Strategic Report on page 5 and note 2 page 34.

Financial instruments

Details of the Company's financial instruments are provided in note 2 on page 29 and note 21 on page 55.

Going concern

The financial statements have been prepared on a going concern basis. At the time of the approving the financial statements I have a reasonable expectation that the Company has had adequate resources to continue in operational existence for the foreseeable future. I have carefully considered the factors which may affect the Company's future performance and financial position. I continue to adopt the going concern basis of accounting in preparing the financial statements.

AUDITORS

The auditors, PKF Smith Cooper Audit Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Patrick Hughes

Patrick Hughes (Dec 24, 2023 11:20 GMT)

.....
P Hughes - Director

Date:

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF VALENCIA WASTE MANAGEMENT HOLDINGS LTD

Qualified Opinion

We have audited the financial statements of Valencia Waste Management Holdings Ltd (the 'parent company') and its subsidiaries (the 'group') for the period ended 30th September 2022 which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of financial position, the company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Financial Reporting Standards (IFRSs).

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30th September 2022, and of the group's loss for the period then ended;
- have been properly prepared in accordance with UK adopted International Financial Reporting Standards (IFRSs); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

During the period on 31st March 2022, the company acquired Valencia Waste Management Limited. A significant level of documentation remained with the previous owners and as such management have been unable to provide sufficient appropriate audit evidence on a number of key areas as follows, we consequently were unable to determine whether any adjustment to these amounts was necessary:

- Owned property, plant and equipment is held at a net book value of £68,577,000 with further leased property, plant and equipment held at a net book value of £5,406,000. Management have not been able to provide sufficient appropriate audit evidence to support additions, disposals, depreciation charged.
- Lease liabilities recognised at the period end total £5,417,000 (Of which £4,467,000 is categorised as a non-current liability). Management have not been able to provide sufficient appropriate audit evidence to support additions, disposals or modifications to lease liabilities.
- On 31st March 2022 the group purchased a 100% interest in Valencia Waste Management Limited and its related subsidiaries. Management have not been able to provide sufficient appropriate audit evidence in relation to the net assets acquired on acquisition of the entities, as well as the goodwill arising from the business combination.
- The tax reconciliation note (note 8) relates to the 18 month trading period of the subsidiary companies and not the 6 month period of these statutory accounts. The Deferred taxation note (note 22) is also incomplete.

In addition, were any adjustments required in relation to the above matters, the strategic report would also need to be amended.

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 responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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 qualified 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 group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF VALENCIA WASTE MANAGEMENT HOLDINGS LTD

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning certain amounts included within the financial statements. We have concluded that where the other information refers to these matters, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the Director for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the Director has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matters described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the report of the Director.

Arising solely from the limitation on the scope of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- returns adequate for our audit have not been received from branches not visited by us; and
- certain disclosures of directors' remuneration specified by law are not made.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF VALENCIA WASTE MANAGEMENT HOLDINGS LTD

and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. Based on our understanding of the group and industry, we identify the key laws and regulations affecting the group, including environmental laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified that the principal risk of fraud or non-compliance with laws and regulations related to:

- management bias in respect of accounting estimates and judgements made;
- management override of control;
- posting of unusual journals or transactions.

We focussed on those areas that could give rise to a material misstatement in the financial statements. Our procedures included, but were not limited to:

- Enquiry of management and those charged with governance around actual and potential litigation and claims, including instances of non-compliance with laws and regulations and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias. In particular environmental and other provisions, as well as impairment reviews of goodwill and depreciation charged on property, plant and equipment.

Our procedures were limited by the matters set out in our basis of qualified opinion section. As we consider management bias in accounting estimates and have been unable to get comfort over depreciation charged on property, plant and equipment, there remains a risk of undetected fraud.

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
VALENCIA WASTE MANAGEMENT HOLDINGS LTD**

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.

PKF Smith Cooper Audit Limited

James Delve (Senior Statutory Auditor)
for and on behalf of

PKF Smith Cooper Audit Limited

Statutory Auditors

Prospect House

Prospect Place

Millenium Way

Pride Park

Derby

DE24 8HG

Date: 21/12/2023

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

	Notes	£'000
CONTINUING OPERATIONS		
Revenue		83,530
Cost of sales		<u>(131,082)</u>
GROSS LOSS		(47,552)
Other operating income		27,607
Administrative expenses		<u>(8,479)</u>
OPERATING LOSS		(28,424)
Finance costs	5	(629)
Finance income	5	<u>2</u>
LOSS BEFORE INCOME TAX	6	(29,015)
Income tax	8	<u>12,495</u>
LOSS FOR THE PERIOD		<u>(16,556)</u>
Loss attributable to:		
Owners of the parent		(16,553)
Non-controlling interests		<u>(23)</u>
		<u>(16,556)</u>

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

	£'000
LOSS FOR THE PERIOD	(16,556)
OTHER COMPREHENSIVE INCOME	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(16,556)</u>
 Total comprehensive income attributable to:	
Owners of the parent	(16,553)
Non-controlling interests	<u>(23)</u>
	<u>(16,556)</u>

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD (REGISTERED NUMBER: 13801291)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 SEPTEMBER 2022**

	Notes	£'000
ASSETS		
NON-CURRENT ASSETS		
Goodwill		-
Property, plant and equipment	12	68,577
Right-of-use		
Property, plant and equipment	11, 20	5,406
Investments	13	-
Trade and other receivables	15	106,894
Deferred tax	22	23,212
		<u>204,089</u>
CURRENT ASSETS		
Inventories	14	2,274
Trade and other receivables	15	71,801
Tax receivable		639
Cash and cash equivalents	16	7,087
		<u>81,801</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	17	108,339
Financial liabilities		
Loans and other borrowings	18	950
Provisions	21	27,455
		<u>136,744</u>
NET CURRENT LIABILITIES		<u>(54,943)</u>
NON-CURRENT LIABILITIES		
Financial liabilities		
Loans and other borrowings	18	4,467
Provisions	21	161,235
		<u>165,702</u>
NET LIABILITIES		<u>(16,556)</u>

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD (REGISTERED NUMBER: 13801291)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
30 SEPTEMBER 2022**

	Notes	£'000
SHAREHOLDERS' EQUITY		
Called up share capital	24	-
Retained earnings	25	<u>(16,533)</u>
Total equity		(16,533)
Non-controlling interests	23	<u>(23)</u>
TOTAL EQUITY		<u>(16,556)</u>

The financial statements were approved by the director and authorised for issue on 24 December 2023 and were signed by:

Patrick Hughes
Patrick Hughes (Dec 24, 2023 11:20 GMT)
.....
P Hughes - Director

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD (REGISTERED NUMBER: 13801291)

**COMPANY STATEMENT OF FINANCIAL POSITION
30 SEPTEMBER 2022**

	Notes	£'000
ASSETS		
LIABILITIES		
CURRENT LIABILITIES		—
NET CURRENT LIABILITIES		—
NET LIABILITIES		—
SHAREHOLDERS' EQUITY		
Called up share capital	24	—
TOTAL EQUITY		—

The financial statements were approved by the director and authorised for issue on 24 December 2023 and were signed by:

Patrick Hughes
Patrick Hughes (Dec 24, 2023 11:20 GMT)

.....
P Hughes Director

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

	Called up share capital £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Changes in equity					
Total comprehensive income	-	(16,533)	(16,533)	(23)	(16,556)
Balance at 30 September 2022	-	(16,533)	(16,533)	(23)	(16,556)

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Changes in equity	_____	_____	_____
Balance at 30 September 2022	_____ -	_____ -	_____ -

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

		£'000
Cash flows from operating activities		
Cash generated from operations	1	<u>89,395</u>
Interest paid		<u>(629)</u>
Tax paid		<u>(773)</u>
Net cash from operating activities		<u>88,033</u>
Cash flows from investing activities		
Purchase of goodwill		<u>(7,950)</u>
Purchase of tangible fixed assets		<u>(103,582)</u>
Sale of tangible fixed assets		<u>25,167</u>
Interest received		<u>2</u>
Net cash from investing activities		<u>(86,363)</u>
Cash flows from financing activities		
Payment of lease liabilities		<u>5,417</u>
Net cash from financing activities		<u>5,417</u>
Increase in cash and cash equivalents		<u>7,087</u>
Cash and cash equivalents at beginning of period	2	<u>-</u>
Cash and cash equivalents at end of period	2	<u>7,087</u>

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	£'000
Loss before income tax	(29,051)
Depreciation charges	4,776
Profit on disposal of fixed assets	(341)
Increase in provisions	188,690
Impairment	7,484
Increase in deferred tax	(14,522)
Finance costs	629
Finance income	(2)
	157,663
Increase in inventories	(2,274)
Increase in trade and other receivables	(178,695)
Increase in trade and other payables	112,701
Cash generated from operations	<u>89,395</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Period ended 30 September 2022

	30/9/22	14/12/21
	£'000	£'000
Cash and cash equivalents	<u>7,087</u>	<u>-</u>

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

3. ACQUISITION OF BUSINESS

On 31 March 2022 Valencia Waste Management Holdings Limited acquired 100% of the outstanding ordinary shares of Valencia Waste Management Limited. Valencia Waste Management Limited is a specialist in delivering a full range of waste management solutions which included the collection and recycling of waste materials, the generation of energy from landfill gas and disposal in landfill of residual waste. It achieved this by investing in an extensive waste collection fleet (focusing primarily on the industrial and commercial market), operating materials recycling facilities ('MRFs'), waste transfer stations, treatment plants, household waste recycling sites and landfill facilities throughout the UK.

Furthermore, it acts as the holding company for a number of subsidiaries and provided central services such as finance, personnel, compliance and development functions to other subsidiaries within the Valencia Waste Group.

A consideration of £1 was paid for the shares as per the Share Purchase and Shareholders' Agreement ("SPA"). The seller issued a loan made under the Shareholder Loan Agreement to Valencia Waste Holdings Limited with a principal outstanding of £94,842,827, and which the seller allowed the Company to carry out a solvency capital reduction, in accordance with applicable laws, which resulted in a principal outstanding of £65,000,000. Valencia Waste Management Holdings Limited made a partial payment of £35,000,000 on acquisition, the remaining £30,000,000 was the remaining principal outstanding under the Shareholder Loan Agreement. At the balance sheet date, the amount outstanding was £10,000,000.

The goodwill of £7,950,000 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the group.

At 30 September 2022

Consideration	£'000
Cash	0
Fair value of	

	£'000
Acquisition related costs (included within administrative expenses)	228

Recognised amounts of identifiable assets acquired and liabilities assumed

	£'000
Financial assets	334,533
Inventory	1,090
Property, Plant & Equipment	93,007
Identifiable intangible assets	-
Financial liabilities	(436,580)
Contingent liability	-
Total identifiable net assets	(7,950)
Goodwill	7,950
	<u>0</u>

The notes form part of these financial statements

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

1. STATUTORY INFORMATION

Valencia Waste Management Holdings Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The Group's functional presentational currency is GBP and the financial statements have been prepared to the nearest £000.

Going Concern

The financial statements have been prepared on a going concern basis. At the time of the approving the financial statements, the Director has a reasonable expectation that the Group has had adequate resources to continue in operational existence for the foreseeable future. The Director has carefully considered the factors which may affect the Group's future performance and financial position. The Group continues to adopt the going concern basis of accounting in preparing the financial statements.

When considering the going concern position, management has prepared a cash flow scenario for the next 12 months. They have considered the cashflow analysis extending to December 2023 in making their going concern assessment and deem the going concern basis appropriate within the assessed period.

Basis of consolidation

The Group financial statements include the results of Valencia Waste Management Limited and its subsidiaries.

The results of subsidiaries are included from the date of acquisition or incorporation and excluded from the date of disposal if applicable. The results of subsidiaries are consolidated where the Group has the power to control the financial and operating policies of a subsidiary. Intra-group trading, loan balances and transactions are eliminated on consolidation.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The excess of the value transferred to the seller in return for control of the acquired business together with the fair value of any previously held equity interest in that business over the Group's share of the fair value of the identifiable net assets is recorded as goodwill.

Once control is achieved any change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

2. ACCOUNTING POLICIES - continued

**Revenue recognition
Recognition**

Group revenue is recognised following delivery of performance obligations and an assessment of when control over the product or service is transferred to the customer. Revenue is only recognised when collection of consideration is highly probable.

Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as the performance obligations to the customer are satisfied. For each obligation satisfied over time, the Group applies a revenue recognition method that accurately reflects performance in transferring control of the services to the customer.

Where a contract with a customer includes more than one performance obligation, revenue is allocated to each obligation in proportion to a fair value assessment of the total contract sales value split across the services provided.

At the inception of a contract the total transaction price is estimated, being the fair value to which the Group expects to be entitled under the contract, including any variable consideration. Variable consideration is based on the most likely outcome of the performance obligations.

Revenue excludes value added tax, trade discounts, revenue arising from transactions between Group companies and includes landfill tax.

Waste Management Services

In respect of single services with fixed fees, such as the receipt of gate and collection fees, revenue is recognised at the time the service is provided.

The Group also delivers other waste management services for which revenue is recognised 'over time' in accordance with contracts with customers. The nature of contracts and/or performance obligations includes multi service contracts including collections and gate fees.

Revenue from other services can be fixed (i.e. management fees) or variable (i.e. gate fees).

Gate fee revenue, derived from the Group's operational assets, is recognised as customer waste is deposited and is based on tonnage received.

In respect of waste collection services, revenue is recognised at the point of collection from customer premises.

A majority of waste management customers are invoice monthly for services provided within the monthly billing period. Payments are typically due on an end of month following invoice basis. Alternative billing and/or payment terms are agreed in exceptional circumstances.

The Group transfers control of such waste management services prior to invoicing. Receipt of payment following invoice is based solely on the passage of time. A trade receivable is recognised until payment is made and/or refund issues.

In respect of operating services, revenue is recognised over time in line with delivery of operational services in accordance with the contract with the local authority.

Once the operational phase commences, the Group has a right to receive consideration for the construction and operational services delivered. Invoicing typically occurs monthly and payments are due by the end of the month following date of invoice.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

2. ACCOUNTING POLICIES - continued

Recyclate

The Group transforms waste into recyclate ready for resale. Revenue is measured at the agreed transaction price per tonne of recyclate under the contract with the customer. Revenue recognition occurs when control over the recyclate assets has been transferred to the customer.

The Group's performance obligation is satisfied at the point of collection by the customer. This is the point in time when an invoice is issued and revenue is recognised. Payment terms are typically end of month following invoice date.

Contract assets and liabilities

A trade receivable is recognised when the Group has an unconditional right to receive consideration in exchange for performance obligations already fulfilled. A contract asset is recognised when the Group has fulfilled some of its performance obligations but has not yet obtained an unconditional right to receive consideration.

A contract liability is recognised when consideration is received in advance of the Group performing its performance obligations.

Grants and contributions

Grants are recognised where there is a reasonable assurance that the grant will be received and all the attached conditions will be complied with.

Grants and contributions receivable in respect of property, plant and equipment are deducted from the cost of those assets.

Grants and contributions receivable in respect of expenditure charged against profits in the year have been included in the income statements in other operating expenses.

Other Income

Other income is derived from activities which do not form part of the Company's ordinary business cycle. Other income is recognised when management considers receipt to be highly probable and the amount can be reliably measured or estimated.

Foreign exchange

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the closing balance sheet rate. The resulting gain or loss is recognised in the income statement.

Landfill tax

In respect of its landfill business, revenue was set to cover total costs, including landfill tax (LFT), and to achieve a desired profit margin. Valencia, as the operator, had a direct obligation to pay LFT, which represents a significant waste disposal cost of production for the business.

Cash and cash equivalents

Cash represents cash in hand and deposits held on demand with financial institutions. Cash equivalents are short-term, highly-liquid investments with original maturities of three months or less (as at their date of acquisition). Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of change in that cash value.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

2. ACCOUNTING POLICIES - continued

Goodwill

Goodwill arising on consolidation from the acquisition of subsidiary undertakings represents the excess of the purchase consideration over the fair value of net assets acquired, less any subsequent impairment charges.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or group of cash generating units that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal reporting purposes.

Property, plant and equipment

Landfill sites

Landfill sites are included within land and buildings at cost less accumulated depreciation. Cost includes acquisition and development expenses. The cost of a landfill is depreciated to its residual value over its estimated operational life taking account of the usage of void space.

Landfill restoration

Where the obligation to restore a landfill site is an integral part of its future economic benefits, a non-current asset within property, plant and equipment is recognised. The asset recognised is depreciated based on the usage of void space.

Other assets (including property, plant and equipment)

Other assets are included at cost less accumulated depreciation.

Depreciation

Depreciation is charged as to write off the cost of assets, other than land and properties under construction over their estimated useful lives as follows:

Asset Class	Depreciation method and rate
Freehold buildings	30-50 years The shorter of their estimated useful economic lives or the finance lease period.
Short-term leasehold land and buildings	3-10 years
Fixed and mobile plant, vehicles and computers	25-40 years
Energy recovery facilities	Not depreciated under commissioned
Assets classified as construction in progress	

Leased assets

The Group assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration.

Leased assets are accounted for by recognising a right-of-use asset and a lease liability except for:

- Low value assets; and
- Lease with a duration of 12 months or less.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

2. ACCOUNTING POLICIES continued

Right-of-use assets

The Group recognises right-of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If ownership of the lease asset transfers to the Group at the end of the lease term or the cost reflects the exercise of the purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

If a lease liability is terminated or novated to a third party the related right-of-use asset is derecognised. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds, the carrying amount of the asset and the present value of the lease liability) is included in the income statement in other operating expenses.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the and Group payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

2. ACCOUNTING POLICIES - continued

Financial instruments

i) Loans and receivables

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Following initial recognition interest-bearing loans and borrowings are subsequently stated at amortised cost using the effective interest method

Gains and losses are recognised in the income statement when the instruments are derecognised or impaired. Premia, discounts and other costs and fees are recognised in the income statement through the amortisation process.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

ii) Trade receivables

Trade receivables do not carry any interest receivable and are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

iii) Trade payables

Trade payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

2. ACCOUNTING POLICIES - continued

iv) Receivables due from subsidiary undertakings

Amounts owed by subsidiaries are classified and recorded at amortised cost and reduced by allowances for expected credit losses. Estimated future credit losses are first recorded on initial recognition of a receivable and are based on estimated probability of default.

Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of the finished goods and work in progress includes raw materials and the costs for bringing stocks to their present location and condition. It excludes borrowing costs. Costs are assigned to the individual items of inventory on the basis of the weighted average costs. Net realisable value is the estimated selling price less cost to sell.

Taxation including deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity. In this case the tax is also recognised in the statement of comprehensive income or directly in equity as appropriate.

Current tax is calculated on the basis of tax laws been enacted or substantively enacted by the balance sheet date. Management periodically evaluates tax items subject to interpretation and establishes provisions on individual tax items, where in the judgement of management, the position is uncertain.

Deferred tax is provided in full on temporary differences between the carrying amount of assets and liabilities in the financial statements and their tax base, except where they arise from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be realised. Deferred tax is determined using the tax rates enacted or substantively enacted at the balance sheet date and expected to apply when deferred tax liability is settled or the deferred tax asset is realised.

Landfill tax

Landfill tax is included within both revenue and operating costs. Landfill tax is determined by the Government and it is a cost to the Company but is chargeable to customers.

Non-underlying items

Non-underlying items are those that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Company's financial performance

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

2. ACCOUNTING POLICIES - continued

Leases

Leases are recognised as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

Going concern

The financial statements have been prepared on a going concern basis. At the time of the approving the financial statements the director has a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for a period to at least 30 September 2025 (the period of management's assessment).

Changes in accounting policy

New Standards, interpretations and amendments effective

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

The Company applied a number of standards and interpretations for the first time in 2021 but these did not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards with no impact on the Company

Amendments to IFRS 7, IFRS 9 and
IAS 39 Interest Rate Benchmark
Reform - Phase 2

Under the detailed rules of IFRS 9 Financial Instruments, modifying a financial contract can require recognition of a significant gain or loss in the income statement. However, the amendments introduce a practical expedient if a change results directly from IBOR reform and occurs on an "economically equivalent" basis. In these cases, changes will be accounted for by updating the effective interest rate. The Company no longer has any interest rate hedge relationships.

Amendments to IFRS 16 - Covid 19
related rent concessions beyond 30
June 2021

In March 2021, the IASB amended IFRS 16 Leases, extending the practical expedient to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted. The Company did not receive any rent concessions beyond 30 June 2021.

New standards, interpretations and amendments not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Future new standards and interpretations

A number of new standards and amendments to standards and interpretations will be effective for future years and, therefore, have not been applied in preparing these consolidated financial statements. At the date of authorisation of these Financial Statements, the following standards and interpretations were in issue but have not been applied in these Financial

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

Statements as they were not yet effective:

<u>Standard or interpretation</u>	<u>Periods commencing on or after</u>
Amendments to IFRS 3, IAS 16, IAS 17 and annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 1	1 January 2022
Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract	1 January 2022
Amendments to IAS 16 Property, plant and equipment - Proceeds before intended use	1 January 2022
Amendments to IFRS 3 - Reference to the conceptual framework	1 January 2022
IFRS 17 - Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies	1 January 2023
Amendments to IAS 8 - Definition of accounting estimates	1 January 2023
Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 1 Presentation of financial statements - On classification of liabilities	1 January 2023

Other than to expand certain disclosures within the Financial Statements, the Directors do not expect the adoption of these standards and interpretations listed above to have a material impact on the Financial Statements of the Company in future periods.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

2. ACCOUNTING POLICIES - continued

Investment in subsidiary undertaking

Investments in subsidiary undertakings are initially recorded at cost, being the fair value of the consideration paid. Subsequently, investments are reviewed for impairment on an individual basis annually or if events or changes in circumstances indicate that the carrying value may not be fully recoverable.

Impairment of non-financial assets

Assets which have an indefinite useful life are not subject to depreciation and are tested annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets which are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use represents the present value of projected future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate which reflects as assessment of the market cost of capital of the cash-generating unit.

Impairments are charged to the income statement in the year in which they arise. Non-financial assets other than goodwill that have been impaired are reviewed for the possible reversal of the impairment at each reporting date.

Provisions

Provisions are made where there is a present legal or constructive obligation as a result of a past event and it is probable that there will be an outflow of economic benefits to settle this obligation and a reliable estimate of this can be made. Where the effect of the time value of money is material, the current amount of a provision is the present value of the expenditure expected to be required to settle the obligations. The unwinding of the discount to the present value is included as notional interest with finance costs.

The Group's policies on provisions for specific areas are:

i) Landfill restoration costs

Provisions for the cost of restoring landfill sites are made when the obligation arises, where the obligation is recognised as a provision gives access to future economic benefits, as asset in property, plant and equipment is recognised. Provisions are otherwise charged to the income statement based on the consumption of void space.

ii) Environmental control and aftercare costs

Environmental control and aftercare costs are incurred over the operational life of each landfill site and for a considerable period thereafter. Provision for all such costs are made over the operational life of the site and charged to the income statement based on the consumption of void space.

iii) Onerous contracts

Where the unavoidable costs meeting a contract's obligations exceed the economic benefits derived from that contract, the unavoidable costs, less turnover anticipated under the terms of the contract, are recognised as a provision and charged to the income statement. An impairment loss on any assets dedicated to that contract is also recognised in the income statement.

Share Capital

Ordinary shares are classified as equity.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

2. ACCOUNTING POLICIES - continued

Dividends

Dividend distributions are recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders. Interim dividends are recognised when paid. The Group does not pay a final dividend.

FINANCIAL RISK REVIEW

The financial risk management policies reflect conditions that existed through and at the period ending 30 September 2022.

(a) Financial risk factors

The group's activities expose it to a variety of financial risks; liquidity risk, market risk (including interest rate risk, inflation risk and credit risk). Details of the nature of each of these risks along with the steps the Group has taken to manage them is described below.

These risks and treasury operations are managed by the Chief Financial Officer in accordance established by the Board. Major transactions are individually approved by the Board.

Market Risk

The Group has no significant interest-bearing assets upon which the net return fluctuates from market risk. Deposit interest receivable is expected to fluctuate in line with interest payable on floating rate borrowings. Consequently its income and operating cash flows are substantially independent of changes in market interest rates.

For the period ended 30 September 2022, if interest rates on net borrowings has been 0.5% higher/lower with all other variables held constant, post-tax loss for the year would have increased/decreased by £11,535.

Liquidity Risk

An intermediate parent company maintains facilities that are designed to ensure the Valencia Group has significant available funds for operations, planned expansions and facilities equivalent to at least one year's forecast requirement at all times, with reasonable headroom for contingencies.

The Valencia Group's treasury function managed and determined the criteria for the Group's capital requirement.

Contractual undiscounted cash flows were:

	Due within 1 year £000	Due between 1 and 2 years £000	Due between 2 and 5 years £000	Due after 5 years £000	Total £000
30 September 2022					
Non-derivative financial liabilities					
Borrowings excluding finance lease liabilities	10,000	-	-	-	10,000
Interest payments on borrowings	255	728	138	332	1,453
Finance lease liabilities including interest	950	2,714	514	1,239	5,417

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

2. ACCOUNTING POLICIES - continued

Credit Risk

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as exposure to trade customers, including outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of these financial statements.

(b) Capital Risk Management

The capital risk management policy is managed within the group. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to minimise the cost of capital.

(c) Determination of fair values

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2).
- inputs for the asset/liability not based on observable market data (unobservable inputs) (level 3).

The Group's financial instruments are valued using level 2 measures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The Group's principal accounting policies are set out in note 2. Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies. Estimates are based on factors including historical experience and expectations of future events that management believe to be reasonable. However, given the judgemental nature of such estimates, actual results could be different from the assumptions used.

(a) Environmental and landfill restoration provisions

Environmental control and aftercare costs are incurred during the operational life of each landfill site and for a considerable period thereafter. The period of aftercare post-closure and the level of costs expected are uncertain and can vary significantly from site to site. Key factors are the type of waste, the speed at which it decomposes, the volume of the leachate requiring treatment and regulatory requirement specific to the site. The amounts expected to be incurred have been re-assessed, re-estimated and aligned to the latest estimate of landfill site operating lives.

The provisions are based on latest assumptions reflecting recent historic data and future cost estimates. The aftercare provision is particularly sensitive to the estimated volumes of leachate and their associated cost, together with the discount rate used to establish the provision. The provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle the Group's obligations. A discount rate is applied to recognise the time value of money and is unwound over the life of the provision. This is included in the income statement as a financial item within finance costs.

An aftercare period between 30 and 60 years is used in calculating provision values. This is considered reasonable by management, is comparable to peers in the waste business and is consistent with Environment Agency bond periods.

Where a restoration provision is an integral part of a landfill site's future economic benefits, an asset is recognised and depreciated in accordance with the Group's depreciation policy.

(b) Landfill costs

The estimation of landfill reserves is of a particular importance in assessing landfill costs, since the cost of a landfill site is depreciated over its estimated operational life taking into account the usage of void space and gas production at the site post-closure. The estimates of landfill reserves are regularly reviewed and updated during the financial year for usage and other events (for example site extensions). Estimates are also subject to physical review by external advisors.

A number of factors impact on the depreciation of landfill reserves including the available landfill space, future capital expenditure and operating costs. The assumptions are revised as these factors change. The estimate of gas production at landfill sites post-closure reduces the depreciation of landfill reserves. An assessment is undertaken for individual sites of the historic profile of gas production during landfilling activity and the projected generation post-closure according to the type of waste contained in the landfill and expected profile of gas production over time.

(c) Non-underlying items

In establishing which items are disclosed separately as non-underlying, to enable a full understanding of the Company's financial performance, the Director exercises their judgement in assessing the size, nature or incidence of specific items.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

4. EMPLOYEES AND DIRECTORS

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022
	£000
Wages and salaries	4,125
Social security costs	543
Pension costs, defined benefit scheme	173
Share-based payment expenses	-
Capitalised manpower costs	-
	<u>4,841</u>

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	2022
Operational	158
Administrative and technical	35
	<u>193</u>

There are no personnel other than Director, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the Company.

	£
Director's remuneration	<u>-</u>

5. NET FINANCE COSTS

	£'000
Finance income:	
Other interest receivable	<u>2</u>
Finance costs:	
Bank interest	7
Interest on obligations under finance leases and hire purchase contracts	56
Loans from subsidiaries	110
Unwinding of discounts in provisions	326
Restoration interests	128
	<u>627</u>
Net finance costs	<u>625</u>

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

6. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	£'000
Short term and low value lease rentals payable	4,604
Depreciation - owned assets	4,159
Depreciation - assets on finance leases	643
Impairment loss	7,950
Profit on disposal of fixed assets	(341)
Foreign exchange differences	(2)

7. AUDITORS' REMUNERATION

	£'000
Fees payable to the company's auditors and their associates for the audit of the company's financial statements	37
Fees payable to the company's auditors and their associates for the audit of the subsidiaries of the group	130
Total audit fees	167

There is also a further fee payable to the auditors of £66,000 in relation to fees for tax compliance services.

8. INCOME TAX

Analysis of tax income

	£'000
Current tax:	
Tax	95
Deferred tax	(12,589)
Total tax income in consolidated statement of profit or loss	(12,495)

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

8. INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the period is the same as (2021 - higher) the standard rate of corporation tax in the UK. The difference is explained below:

	£'000
Profit before income tax	<u>10,513</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,997
Effects of:	
Depreciation charged on non-qualifying assets	587
Profit/loss on disposal of non-qualifying assets	242
Expenses not deductible for tax purposes	9,546
Adjustments to brought forward values	392
Amounts (charged/credited directly to the STRGL or otherwise transferred	(63)
Other tax adjustments, reliefs and transfers	(2,834)
Group relief surrendered/(claimed)	(3,190)
Adjustments to tax charge in respect of previous periods - deferred tax	1,095
Timing differences not recognised in the computation	(66)
Income not taxable for tax purposes	(12,360)
Remeasurement of deferred tax for changes in tax rates	(5,529)
Unreconciled amount	(228)
Dividend income	-
Adjustment to tax in respect of prior years	<u>(4,654)</u>
Tax expense	<u>(15,065)</u>

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

9. OPERATING PROFIT

Revenue

The grouping of revenue streams, analysed by how they are affected by economic factors is as follows:

	UK £000	Total £000
Period ended 30 September 2022		
Waste Management Services	83,534	83,534
Energy	-	-
Recyclate	-	-
	<u>83,534</u>	<u>83,534</u>

Other operating Income

	30 September 2022 £000
Management charge income	27,377
Rental income	<u>230</u>
	<u>27,607</u>

10. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £0.

11. GOODWILL

Group

	£'000
COST	
Additions	7,950
Impairments	<u>(7,950)</u>
At 30 September 2022	-
NET BOOK VALUE	
At 30 September 2022	<u>-</u>

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Assets under construction £'000	Land & Buildings £'000	Landfill restoration £'000	Plant and machinery £'000	Totals £'000
COST					
Additions	3,035	41,165	21,967	37,415	103,582
Disposals	(1,111)	19	-	(23,820)	(24,912)
Transfer to ownership	-	-	-	(198)	(198)
Reclassification/transfer	(21)	-	-	-	(21)
At 30 September 2022	<u>1,903</u>	<u>41,184</u>	<u>21,967</u>	<u>13,397</u>	<u>78,451</u>
DEPRECIATION					
Charge for period	-	262	2,000	2,540	4,802
Eliminated on disposal	-	-	-	(195)	(195)
Transfer to ownership	-	-	-	(139)	(139)
At 30 September 2022	<u>-</u>	<u>262</u>	<u>2,000</u>	<u>2,206</u>	<u>4,468</u>
NET BOOK VALUE					
At 30 September 2022	<u>1,903</u>	<u>40,922</u>	<u>19,967</u>	<u>11,191</u>	<u>73,983</u>

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

13. INVESTMENTS

Details of the subsidiaries as at 30 September 2022 are as follows:

Name of subsidiary	Principal activity	Country	Proportion of ownership interest and voting rights held
Valencia Waste Management Limited	Waste Management	England	100%
Valencia Waste Kent Limited	Waste Management	England	100%
Valencia Waste (Somerset) Limited	Waste Management	England	100%
Valencia Waste (Thames) Limited *	Waste Management	England	100%
Valencia Waste Exeter Limited	Waste Management	England	81%
Dragon Waste Limited	Dormant	England	100%
Valencia Waste (Landfill Restoration) Limited	Waste Management	England	100%
Valencia Waste Lancashire Limited	Waste Management	England	100%
Valencia Waste Wootton Limited	Dormant	England	100%
Roseland Plant Co. Limited	Dormant	England	100%
Valencia Waste Disposal Limited	Dormant	England	100%
Pearsons Group Holdings Limited	Dormant	England	100%
Pilsworth Forest Limited	Dormant	England	100%
Pilsworth Forest (1996) Limited	Dormant	England	100%
Valencia Waste Suffolk Limited	Dormant	England	100%
Valencia (Ernth) Limited	Dormant	England	100%
Basecall Limited	Dormant	England	100%
Parkwood Group Limited	Dormant	England	100%
Valencia Waste (Bristol Holdings) Limited	Dormant	England	100%
Valencia Waste (Medway) Holdings Limited	Dormant	England	100%
Valencia Electrical Recycling (Holdings) Limited **	Dormant	Scotland	100%
Valencia Waste (East Anglia) Limited	Dormant	England	100%
Parkwood Environmental Limited	Dormant	England	100%
Valencia Waste (Thetford) Limited	Dormant	England	100%
Valencia Waste (Bristol) Limited	Dormant	England	100%
Valencia Waste (Medway) Limited	Dormant	England	100%
Valencia Waste (Allwaste Disposal) Limited	Dormant	England	100%
Valencia Electrical Recycling Limited **	Dormant	Scotland	100%
Valencia Waste (Parkwood) Limited	Dormant	England	100%
Greater Manchester Sites Limited	Dormant	England	100%

The registered address for the companies above is The Oil Depot, 242 London Road, Stretton-on-Dunsmore, CV23 9JA except for the following:

*The registered office for this company is Ardley Cottage, Ardley, Bicester, OX27 7PH.

**The registered office for these companies is C/O Shepherd & Wedderburn LLP, 9 Haymarket Square, Edinburgh, EH3 8FY.

The individual accounts of Valencia Waste Kent Limited, Valencia Waste (Somerset) Limited, Valencia Waste (Thames) Limited, Valencia Waste Exeter Limited and Dragon Waste Limited for the period ended 30th September 2022 are exempt from audit by virtue of section 479a Companies Act 2006.

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

14. INVENTORIES

	Group £'000
Fuel and powergen stocks	<u>2,274</u>

15. TRADE AND OTHER RECEIVABLES

	Group £'000
Current:	
Trade receivables	24,617
Allowance for expected credit losses	(2,164)
Other debtors	3,221
Prepayments and accrued income	<u>46,127</u>
	<u>71,801</u>
Non-current:	
Bonds	<u>106,894</u>
	<u>106,894</u>
Aggregate amounts	<u>178,695</u>

16. CASH AND CASH EQUIVALENTS

	Group £'000
Cash at bank and in hand	<u>7,087</u>

17. TRADE AND OTHER PAYABLES

	Group £'000
Trade payables	2,529
Payables due to related parties	62,489
Social security & other taxes	24,659
Other creditors	5,201
Accruals and deferred income	<u>13,461</u>
	<u>108,339</u>

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

18. TRADE AND OTHER PAYABLES - continued

The Director considers that the carrying amount of trade and other payables approximates to their fair value.

19. LOANS AND OTHER BORROWINGS

	Group £'000
Current:	
Leases liabilities (see note 18)	<u>950</u>
Non-current:	
Lease liabilities (see note 18)	<u>4,467</u>

Group

	1 year or less £'000	1-2 years £'000	Totals £'000
Leases	<u>950</u>	<u>4,467</u>	<u>5,417</u>

20. LEASING

**Group
Right-of-use assets**

	Land & Building £'000	Plant & Machinery £'000	Total £'000
COST			
Additions	3,992	1,933	5,925
Disposals	21	-	21
Transfer to ownership	-	(198)	(198)
	4,013	1,735	5,748
DEPRECIATION			
Charge for the year	262	381	643
Eliminated on disposal	-	(162)	(162)
Transfer to ownership	-	(139)	(139)
	262	80	342
NET BOOK VALUE	3,751	1,655	<u>5,406</u>

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

20. LEASING - continued

Group

Group

Other leases

	£'000
Low value and short term lease expense recognised in the period	<u>4,604</u>

Group

Lease liabilities

Minimum lease payments fall due as follows:

	£'000
Obligations repayable:	
Within one year	950
Between one and five years	4,467
	<u>5,417</u>

	Book Value	30 September 2022
	£000	Fair Value
	£000	£000
Finance lease liabilities	<u>4,467</u>	<u>4,467</u>

Where market values are not available, fair values of borrowings have been calculated by discounting expected future cash flows at prevailing interest rates.

The maturity of non-current borrowings is:

	30 September
	2022
	£000
Between 1 and 2 years	1,043
Between 2 and 5 years	1,210
Over 5 years	<u>2,214</u>
	<u>4,467</u>

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

21 PROVISIONS

	Note	Landfill restoration and environmental provisions £'000	Other provisions £'000	Total £'000
At 1 April 2021		-	-	-
Acquisition		145,710	12,540	158,250
Assumption change		45,042	(8,679)	36,363
Additions		2,727	-	2,727
Provisions utilised		(5,746)	-	(5,746)
Unwinding of discounts	4	(2,904)	-	(2,904)
As at 30 September 2022		<u>184,829</u>	<u>3,861</u>	<u>188,690</u>
Non-current liabilities 2022		127,795	840	128,635
Current liabilities 2022		<u>57,034</u>	<u>3,021</u>	<u>60,055</u>
		<u>184,829</u>	<u>3,861</u>	<u>188,690</u>

Environmental and landfill restoration provisions are incurred during the operational life of each landfill site and for a considerable period thereafter. The period of aftercare post-closure and the level of costs expected are uncertain and can vary significantly from site to site. Key factors are the type of waste, the speed at which it decomposes, the volume of leachate requiring treatment and regulatory requirements specific to the site.

Environmental and landfill restoration provisions are expected to be substantially utilised throughout the operational life of a site and for landfill sites within 60 years of closure. The provisions have been established assuming current waste management technology based upon estimated costs at future prices which have been discounted to present value. A discount rate of between 4.2% and 3.1% and an inflation rate of between 8.1% and 1.9% have been applied to the aftercare and restoration provisions as detailed in the table below:

Period of obligation (years)	Discount Rate		Inflation	
	FY22 (%)	FY21 (%)	FY22 (%)	FY21 (%)
1-5	4.2	4.22	8.45-1.9	2.0
5-10	4.2	4.22	1.9	2.0
10-15	1.4	4.22	1.9	2.0
15-20	4.0	4.22	1.9	2.0
20-25	3.9	4.22	1.9	2.0
25-30	3.7	4.22	1.9	2.0
30-40	3.4-3.2	4.22	1.9	2.0
>40	3.1	4.22	1.9	2.0

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

Other provisions

Provisions exist for potential prosecutions by the Health & Safety Executive in respect of two incidents on separate Valencia sites that sadly both resulted in the fatalities of an external worker. Valencia has considered the nature and events of the incidents, as well as the sentencing guidelines for breaches of health and safety legislation when calculating the potential outflow of economic benefits. The timing of the cash flow is heavily dependent on the legal proceeding and may potentially have an effect between 1-3 years. This provision has been indemnified by Viridor Waste Limited.

22. DEFERRED TAX

Deferred tax is provided in full on temporary differences under the liability method using enacted tax rates.

	2022
	£'000
Balance at acquisition	10,622
Charge to the income statement	12,590
Credit/(Charge) to other comprehensive income	-
Credit to equity	-
	<hr/>
Balance at 30 September	<u>23,212</u>

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

All deferred tax assets and liabilities are within the same jurisdiction and may not be offset as permitted by IAS 12.

23. NON-CONTROLLING INTERESTS

	Dragon Waste Ltd
Ownership held by Valencia Group	81%
Summarised financial information	£'000
Total Assets	479
Total Liabilities	46
Net Assets	433
Revenues	-
Profit or Loss	120

24. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	£
100	Ordinary	£1	<u>100</u>

VALENCIA WASTE MANAGEMENT HOLDINGS LTD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022**

25. RESERVES

Group

**Retained
earnings
£'000**

Deficit for the period **(16,533)**

At 30 September 2022 **(16,533)**

Company

**Retained
earnings
£'000**

Profit for the period **—**

At 30 September 2022 **—**

VALENCIA WASTE MANAGEMENT HOLDINGS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 14 DECEMBER 2021 TO 30 SEPTEMBER 2022

26. ULTIMATE PARENT COMPANY

The Company's immediate parent is Frank Solutions Limited, a company incorporated in the Isle of Man. Their registered office is Rear Office, First Floor, 8-10 Malew Street, Castletown, IM9 1AB.

27. RELATED PARTY DISCLOSURES

During the period, the Group companies entered into transactions with related parties who are not members of the Group. The related party categorisation is based upon the relationship that existed as at 30 September 2022.

Expenditure with and payables to related parties

	Note	30 September 2022 £000's Parent
Income statement transactions:		
Hired and contracted services		19,875
		<u>19,875</u>
Statement of financial position balances:		
Current		
Amounts payable to related party - trading balance		19,875
Amounts payable to related party - provision of loan finance		35,000
		<u>54,875</u>

28. EVENTS AFTER THE REPORTING PERIOD

The vendor Loan Notes that were issued in lieu of cash consideration during the acquisition of the Company were full repaid in December 2023 and all charges over the Group's assets in relation to these Loan Notes have been released.