

**Company Registration No. 03057012**

**Pennine Waste Management Limited**

**Annual report and financial statements  
for the year ended 31 December 2021**

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# **Pennine Waste Management Limited**

## **Annual report and financial statements 2021**

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# **Pennine Waste Management Limited**

## **Annual report and financial statements 2021**

### **Officers and professional advisers**

#### **Directors**

P Taylor  
V F Orts-Llopis  
A Serrano Minchan (resigned 11 February 2022)

#### **Registered Office**

3 Sidings Court  
White Rose Way  
Doncaster  
DN4 5NU

#### **Auditor**

Ernst & Young LLP  
Statutory Auditor  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR  
United Kingdom

# **Pennine Waste Management Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements of Pennine Waste Management Limited ("the Company") for the year ended 31 December 2021.

### **Overview of Group**

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

FCC's financial capacity and depth of experience in the European waste infrastructure sector is backed by over 100 years of experience in operating municipal services contracts. This complements both the position of the Company and its 40 fellow subsidiaries (together the "Group" or "FCC E UK") as a leading waste management, recycling and renewable energy business, and the Group's ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK. The core services provided by the Group are fully aligned with FCC's strategic growth plans. The Group is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the UK, to meet existing legislative framework and emerging proposals to promote circular economy infrastructure, by recognising the true value of the materials we handle. The Board continues to look forward to the opportunities that are presented to the Group and its employees by virtue of FCC's plans to expand and embed its operations in the UK.

### **Principal activity**

The principal activity of the Company during the year ended 31 December 2021 was the operation of a waste transfer station and the composting of green waste.

### **Directors**

The Directors who served during the year ended 31 December 2021 and up to the date of this report were as follows:

P Taylor

V F Orts-Llopis

A Serrano Minchan (resigned 11 February 2022)

### **Directors' indemnities**

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

### **Results and dividends**

The results for the Company for the year ended 31 December 2021 are set out on page 8. The loss for the financial year amounted to £25,000 (2020: £598,000). The Company did not pay an interim dividend during the year (2020: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2020: £nil). The Alfreton MRF site was mothballed during 2020. There are no plans to reopen the site within the next year.

FCC E UK manages its operations on a divisional basis and information regarding key performance indicators is included within the FCC E UK annual report. For this reason, the Company's Directors believe that the disclosure of further financial and non-financial key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business. Copies of the FCC E UK annual report can be obtained from the address in note 18.

### **Going concern**

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

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

### **Financial risk management**

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

# **Pennine Waste Management Limited**

## **Directors' report**

### **Financial risk management (continued)**

#### ***Liquidity and credit risk***

The Company's exposure to liquidity and credit risk is reduced as it is a wholly owned subsidiary of FCC E UK and participates in a cash-pooling agreement with FCC E UK and FCC E UK's subsidiary undertakings (together the "Group"). Credit risk arises from the risk of having credit exposures to customers, including outstanding receivables. The Company reviews the credit ratings of all significant customers regularly and continues to monitor the quality of debtor balances on an ongoing basis. Liquidity risk is the risk that the Company does not have sufficient cash resources to meet its commitments. The Company prepares and reviews cash flow forecasts frequently to ensure that it has sufficient resources to meet its cash flow commitments.

#### **Economic**

The Group has exposure to reduced economic activity, and in the current year has seen waste volumes reduce where lower economic output has been a factor. Reduced global demand for recyclates continues to suppress pricing and Brexit effects on exchange rates have impacted pricing of Refuse Derived Fuel (RDF) exports into mainland Europe. In addition, the decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets. We have reviewed the potential impacts and consider that we have sufficient mitigations in place. The Group's strategy is focused on growing through recycling and EfW where margins are generally higher than traditional landfill.

#### **Covid-19**

Covid-19 was declared a global pandemic on 11 March 2020 by the World Health Organisation and measures taken by governments around the world including the UK to combat this public health emergency have had far reaching implications on peoples' lives, economies and businesses. As a designated 'Key Worker' and provider of essential public services, the Group continued, where possible, to provide first class services at that difficult time. In response to the crisis, the Group established a Covid-19 committee consisting of the Group's executive management team whilst the Group also participated in a wider FCC global response committee. The team had regular virtual meetings during the crisis with the welfare of employees, customers, suppliers and other stakeholders visiting our sites, the primary concern. The committee considered and ensured the practical implementation of government guidelines and also managed the operational and financial implications for the business. Consideration of the impact on the Group and Company's going concern status is set out in note 2.

#### **Employees**

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

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

Employees' ways of working changed during 2020 with staff adapting to home working and front line staff working within the safety parameters put in place by the Group. This has enabled the Company to continue to provide its day to day services. Employees fully embraced new working patterns and to their credit made them work.

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

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

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

#### **Post balance sheet event**

The conflict between Russia and Ukraine is a post balance sheet event that remains ongoing at the date of approval of the financial statements. See note 17 for details of the considerations and implications on the Group.

# Pennine Waste Management Limited

## Directors' report

### Directors' responsibilities statement

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

### Disclosure of information to the auditor

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

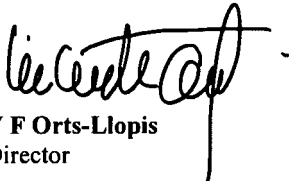
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006 ("the Act").

### Small companies exemption

This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. As a result of this exemption, the Company has elected not to prepare a separate Strategic Report.

Approved by the Board of Directors

and signed on its behalf by:

  
V F Orts-Llopis  
Director  
28 September 2022

# **Pennine Waste Management Limited**

## **Independent auditor's report to the members of Pennine Waste Management Limited**

### **Opinion**

We have audited the financial statements of Pennine Waste Management Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in the directors' report, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

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

### **Other information**

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

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

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

We have nothing to report in this regard.

# **Pennine Waste Management Limited**

## **Independent auditor's report to the members of Pennine Waste Management Limited**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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



## **Pennine Waste Management Limited**

### **Independent auditor's report to the members of Pennine Waste Management Limited**

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

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

Our approach was as follows:

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

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

#### **Use of our report**

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



Richard Lingwood (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Newcastle  
29 September 2022

## Pennine Waste Management Limited

### Statement of comprehensive income For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	4	109	1,125
Staff costs	6	-	(111)
Other operating expenses		(353)	(1,593)
Depreciation and amortisation		(12)	(43)
Impairment of fixed assets		-	(114)
<b>Operating loss and loss before taxation</b>	5	<b>(256)</b>	<b>(736)</b>
Tax on loss	8	231	138
<b>Loss for the financial year</b>		<b>(25)</b>	<b>(598)</b>
Other comprehensive result for the year, net of tax		-	-
<b>Total comprehensive expense for the year</b>		<b>(25)</b>	<b>(598)</b>

The notes on pages 11 to 18 are an integral part of these financial statements.

# Pennine Waste Management Limited

## Balance sheet As at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	34	46
Deferred tax	12	228	59
		<u>262</u>	<u>105</u>
<b>Current assets</b>			
Other receivables	10	189	129
<b>TOTAL ASSETS</b>		<u>451</u>	<u>234</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	13	93	93
Share premium		463	463
Capital contribution reserve		1,375	1,375
Retained earnings		(3,466)	(3,441)
<b>Shareholder's deficit</b>		<u>(1,535)</u>	<u>(1,510)</u>
<b>Current liabilities</b>			
Other payables	11	1,986	1,744
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>451</u>	<u>234</u>

The notes on pages 11 to 18 are an integral part of these financial statements.

The financial statements of Pennine Waste Management Limited, registered number 03057012 were approved by the Board of Directors and authorised for issue on 28 September 2022. They were signed on its behalf by:

  
V F Orts-Llopis  
Director

## Pennine Waste Management Limited

### Statement of changes in equity For the year ended 31 December 2021

	Share capital £'000	Share Premium £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
<b>Year ended 31 December 2021</b>					
At 1 January 2021	93	463	1,375	(3,441)	(1,510)
Loss for the year and total comprehensive expense	-	-	-	(25)	(25)
<b>At 31 December 2021</b>	<b>93</b>	<b>463</b>	<b>1,375</b>	<b>(3,466)</b>	<b>(1,535)</b>
<b>Year ended 31 December 2020</b>					
At 1 January 2020	93	463	1,375	(2,843)	(912)
Loss for the year and total comprehensive expense	-	-	-	(598)	(598)
<b>At 31 December 2020</b>	<b>93</b>	<b>463</b>	<b>1,375</b>	<b>(3,441)</b>	<b>(1,510)</b>

# Pennine Waste Management Limited

## Notes to the financial statements For the year ended 31 December 2021

### 1. Corporate information

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

### 2. Accounting policies

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

#### General information and basis of accounting

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

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

#### Exemptions for qualifying entities under FRS 101

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

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

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

# **Pennine Waste Management Limited**

## **Notes to the financial statements For the year ended 31 December 2021**

### **2. Accounting policies (continued)**

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

New Standards and amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2020 are listed below. The amendments had no material impact on the Company's results:

- Amendments to IFRS 4 Insurance Contracts regarding replacement issues in the context of the IBOR reform material (mandatory for the year commencing on or after 1 January 2021).
- Amendments to IFRS 7 Financial Instruments: Disclosures regarding replacement issues in the context of the IBOR reform (mandatory for the year commencing on or after 1 January 2021).
- Amendments to IFRS 7 Financial Instruments regarding replacement issues in the context of the IBOR reform (mandatory for the year commencing on or after 1 January 2021).
- Amendment to IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification (mandatory for the year commencing on or after 1 June 2020).
- Amendments to IFRS 16 Leases regarding replacement issues in the context of the IBOR reform (mandatory for the year commencing on or after 1 January 2021).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding replacement issues in the context of the IBOR reform (mandatory for the year commencing on or after 1 January 2021).

#### **Going concern**

At 31 December 2021 the Company had net liabilities of £1.5million and net current liabilities of £1.8million owing to fellow subsidiaries.

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

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

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

#### **Property, plant and equipment**

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

Freehold land and buildings	- over 25 years
Plant and machinery	- over 5 years

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

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

# **Pennine Waste Management Limited**

## **Notes to the financial statements For the year ended 31 December 2021**

### **2. Accounting policies (continued)**

#### **Impairment of assets**

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

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

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

#### **Revenue**

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

#### **Employee benefits**

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

#### **Taxation**

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

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

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

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

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

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

# Pennine Waste Management Limited

## Notes to the financial statements For the year ended 31 December 2021

### 2. Accounting policies (continued)

#### Taxation (continued)

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

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

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

### 3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Property, plant and equipment –Property, plant and equipment are tested for impairment where an indication of impairment exists. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual future cash flows could vary from those estimated. Factors such as closure of facilities and declining volumes could result in shortened asset lives or impairment. Management review and update the discount rates used annually. The discount rates used may also have an impact on the estimation of future cash flows. See note 9 for further disclosures.

### 4. Revenue

All revenue was generated in the United Kingdom principally from the operation of a waste transfer station and the composting of green waste.

### 5. Operating loss and loss before taxation

Operating loss and loss before taxation is stated after charging:

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets	12	43
Impairment losses	-	114

Auditor's remuneration in respect of audit fees totalling £5,000 (2020: £7,000) has been met by FCC Recycling (UK) Limited, a fellow subsidiary undertaking of FCC E UK.



# Pennine Waste Management Limited

## Notes to the financial statements For the year ended 31 December 2021

### 6. Staff costs

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

	2021 Number	2020 Number
Operational	-	4

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	-	85
Social security costs	-	8
Other pension costs (see note 14)	-	17
Other staff costs	-	1
	-	111

There were no employees throughout 2021 as a result of the mothballing of the Alfreton MRF site.

### 7. Directors' remuneration and transactions

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2021 or the previous financial year. They are remunerated as Directors or employees of FCC E UK for services to the Group as a whole and as such it is not possible to directly attribute any element of their remuneration to the Company.

### 8. Tax on loss

The tax position comprises:

	2021 £'000	2020 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 19% (2020: 19%) based on loss for the year	(62)	(120)
<b>Total current tax</b>	(62)	(120)
<b>Deferred tax</b>		
Origination and reversal of timing differences	15	(13)
Adjustment in respect of prior years – change of tax rate	(19)	(5)
Adjustment in respect of prior years – other	(165)	-
<b>Total deferred tax (see note 12)</b>	(169)	(18)
<b>Tax on loss</b>	(231)	(138)

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. As a result deferred tax balances as at 31 December 2021 are measured at 25% (2020: 19%).

On 23 September 2022, the Chancellor of the Exchequer announced that the UK corporation tax rate will remain at 19% from 1 April 2023 - reversing a previously enacted measure to increase the rate to 25%. The announcement of the reversal in the tax rate from 1 April 2023 was not enacted or substantively enacted at the balance sheet date and accordingly has no impact on the tax balances at 31 December 2021.

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

# Pennine Waste Management Limited

## Notes to the financial statements For the year ended 31 December 2021

### 8. Tax on loss (continued)

The total tax position for both the current and previous year differs from the average standard rate of 19% (2020: 19%) for the reasons set out in the following reconciliation:

	2021 £'000	2020 £'000
<b>Loss before tax</b>	<b>(256)</b>	<b>(736)</b>
Tax on loss at average standard rate	(49)	(140)
Effects of:		
Expenses not deductible for tax	2	7
Adjustment in respect of prior years – change of tax rate	(19)	(5)
Adjustment in respect of prior years – other	(165)	-
<b>Total tax credit</b>	<b>(231)</b>	<b>(138)</b>

### 9. Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
At 1 January 2021	1,203	485	1,688
Additions	-	-	-
At 31 December 2021	1,203	485	1,688
<b>Depreciation</b>			
At 1 January 2021	1,185	457	1,642
Charge for the year	3	9	12
At 31 December 2021	1,188	466	1,654
<b>Net book value</b>			
At 31 December 2021	15	19	34
At 31 December 2020	18	28	46

### 10. Other receivables

	2021 £'000	2020 £'000
Amounts due from FCC group undertakings	189	129

Amounts due from FCC group undertakings are unsecured, interest free and have no fixed date of repayment.

# Pennine Waste Management Limited

## Notes to the financial statements For the year ended 31 December 2021

### 11. Other payables

	2021 £'000	2020 £'000
Amounts owed to FCC group undertakings	<u>1,986</u>	<u>1,744</u>

Amounts owed to FCC group undertakings are unsecured, interest free and have no fixed date of repayment.

### 12. Deferred taxation

Deferred tax assets are provided as follows:

	Total £'000
Asset at 1 January 2021	59
Credited to statement of comprehensive income	<u>169</u>
Asset at 31 December 2021	<u>228</u>

Deferred tax asset is as follows:

	Opening Balance £'000	Movement £'000	Closing Balance £'000
Depreciation less than capital allowances	59	24	83
Short term timing differences	-	145	145
	<u>59</u>	<u>169</u>	<u>228</u>

### 13. Share capital and reserves

	2021 £'000	2020 £'000
<b>Allotted, called-up and fully-paid</b>		
92,626 ordinary shares of £1 each	<u>93</u>	<u>93</u>

#### *Retained earnings*

Retained earnings comprises cumulative profits or losses, including unrealised profits or losses recognised in the statement of comprehensive income and expense, net of dividends.

#### *Share premium account*

The share premium reserve comprises the excess proceeds above the nominal amount of share capital on issue of equity shares. Direct issue costs are netted off the share premium account.

#### *Capital contribution reserve*

The capital contribution reserve comprises capital amounts introduced by the Company's shareholders in return for neither debt nor share capital.

# Pennine Waste Management Limited

## Notes to the financial statements For the year ended 31 December 2021

### 14. Retirement benefit schemes

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

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

	2021 £'000	2020 £'000
Defined contribution schemes	-	17

### 15. Contingent liabilities

- (a) The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the Group.
- (b) The Group must comply with the Environment Agency's financial provisioning requirements for its landfill sites in England and Wales, which is satisfied by providing financial security bonds. The total value of the bonds issued for this financial provisioning requirement at 31 December 2021 was £113.8million (2020: £110.0million).

### 16. Related party transactions

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

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

	2021 £'000	2020 £'000
Other operating expenses		
WasteNotts (Reclamation) Limited	-	332

### 17. Post balance sheet events

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

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

### 18. Controlling party

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

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

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