

Registered number: 03497105

SUEZ Recycling and Recovery Kirklees Ltd

Annual report and financial statements

For the Year Ended 31 December 2022

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SUEZ Recycling and Recovery Kirklees Ltd

Company Information

| | |
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| Directors | J Scanlon J Wilkinson N Arshad-Mather C Thorn M Dewison J Taylor S Patterson (appointed 4 April 2023) |
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| Company secretary | M H Thompson |
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| Registered number | 03497105 |
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|--------------------------|---|
| Registered office | SUEZ House Grenfell Road Maidenhead Berkshire SL6 1ES |
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| Independent auditor | Mazars LLP 90 Victoria Street Bristol BS1 6DP |
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SUEZ Recycling and Recovery Kirklees Ltd

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SUEZ Recycling and Recovery Kirklees Ltd

Strategic Report For the Year Ended 31 December 2022

Business review

The Company's key financial performance indicators during the year were as follows:

| | 2022 | 2021 | |
|--|----------------|-----------------|---------------|
| | £000 | £000 | Change |
| Turnover | 28,623 | 23,548 | 22% |
| Operating profit | 4,787 | 3,562 | 34% |
| Profit after tax | 3,480 | 3,210 | 8% |
| Shareholders' funds - deficit | (9,964) | (13,444) | 26% |
| Current assets as a % of current liabilities | 55% | 29% | |

Increase in service concession revenue in 2022 is due to a full year of benefit from the renegotiated contract with Kirklees Metropolitan Council during 2021. The terms of the contract led to increased service concession revenues and a 2 year contract extension, due to end 31 March 2025. Electricity revenue has increased by 37% compared to 2021 as high global electricity prices continue following the rise seen in 2021. Revenue for sale of recyclates also have increased in 2022 driven by higher commodity prices

The Company has made an operating profit of £4.8m for the year which has increased from £3.5m in the prior as a result of the factors detailed above.

An increase in Shareholders' funds reflects the profit made in the year.

Principal risks and uncertainties

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

Operational risks

The Group's operations involve some major public sector contracts, spanning up to 22 years across The Group, where default on the contract may result in substantial compensation payments to the client.

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

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

SUEZ Recycling and Recovery Kirklees Ltd

Strategic Report (continued) For the Year Ended 31 December 2022

Competitive risks

Part of The Group's business involves contracts with local authorities which are subject to periodic competitive tender. Renewal of these contracts is uncertain and based on financial and performance criteria. The remaining businesses rely upon short-term contracts and non-contractual business from industrial and commercial customers, which is subject to normal price competition in the open market.

Legislative risks

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

Health and Safety risks

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

Financial instrument risks.

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

Use of derivatives

On certain major contracts, The Group uses interest rate swaps in respect of the related funding to reduce exposure to interest rate movements.

Exposure to price, credit, liquidity and cash flow risk

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

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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group benefits from a current account overdraft facility from its parent company in France which allows funds to be drawn down to day to day financial obligations. The Group also produces long term cash forecasts and monitors cash flows against these on a daily basis to ensure all financial obligations may be met as they fall due.

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

Ukraine Conflict

The Directors have considered the impact of the war in Ukraine on The Group in the UK. The Group is not directly reliant on Ukrainian or Russian suppliers or customers and as such The Group's exposure is mainly due to macroeconomic factors. Whilst inflationary pressure is being seen on labour, fuel and raw materials costs, the Group has some protection due to many of its contracts with public bodies also being index linked. The Group has no variable rate debt and as such is not exposed to any increased interest costs should interest rates rise further.

Many of our sites have collection points for clothing and other practical items which have been donated by members of the public. The Group also continues its Wellbeing programme to support employees who have been affected by the crisis.

**Strategic Report (continued)
For the Year Ended 31 December 2022**

Section 172 statement

The Directors are aware of their duty under section 172 of the Companies Act 2006 (as amended) (the Act) to act in good faith and in a manner most likely to promote the success of the Company for the benefit of the shareholders as a whole. The Board approaches decision making having regard to the matters set out in section 172(1) (a) – (f) of the Act, promoting wider stakeholder engagement, as outlined below.

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

During the year, the Directors, in consultation with the senior management of the Company, developed business plans and targets for the current and proceeding financial years. The Directors closely monitored the Company's implementation of these plans and targets throughout the year.

In developing business plans and targets, the Directors considered not only the needs of stakeholders and the wider SUEZ Recycling and Recovery UK Group (The Group) objectives, but also considered other material factors. These included the wider economic, political, technological and social context in which the Company operates, alongside ongoing policy reforms and regulatory developments within the resource management sector, ensuring the financial and operating strategies support the long term success of the Company.

This aligns with the Company's People, Planet, Profit triple bottom line approach that is embedded across the organisation and founded upon the principles of social responsibility and environmental sustainability alongside financial viability.

The focus of the Board has been the Competition and Markets Authority (CMA) investigation into the SUEZ/Veolia merger leading to the sale of the Company, at the same time as driving The Group towards achieving its strategic goals guided by its commitment to develop in each of the following eight areas integral to the success of the Company; referred to internally as Critical Success Factors (CSFs):

- Safety;
- Sustainable environment;
- Social value;
- Digitisation and data accuracy;
- Customer loyalty;
- Profitable business;
- Continuous improvement;
- Engaged and empowered people.

The CSFs are the criteria used by the Company to judge progress towards its goals and targets. They provide an indication of how and where to prioritise future focus areas, particularly with regards to the future of the Company under its new ownership following the outcome of the CMA investigation and subsequent acquisition by SUEZ group.

In addition, the widespread adoption of Lean management tools and techniques throughout the organisation promotes a culture of continuous improvement towards excellence by listening to the voices of customers, alongside businesses and shareholders. Periodic reviews are carried out and the Company will continue to focus on optimising efficiencies at an operational and local departmental level.

The Directors of the Company delegated certain duties and responsibilities to various committees and received regular and timely information (at least monthly) on all key aspects of the business including health and safety, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability.

**Strategic Report (continued)
For the Year Ended 31 December 2022**

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

The Directors of the Company and senior management engage with, and take into account, the views and interests of employees in making decisions which are likely to affect their interests through a number of initiatives including:

- biennial group-wide surveys, the most recent of which was conducted in 2022; these are supported by more frequent site or team based net promoter surveys, providing an insight into the employee experience and workplace related matters. Action plans are drawn up in response to surveys to demonstrate how feedback is being addressed.
- the SUEZ UK Works Council (SWC); an established forum for dialogue between leaders and employees who, through their representatives, are informed and consulted on key business issues that are likely to have a substantial impact on their working environment as well as making recommendations to improve employee experience and well-being. It meets quarterly with minutes made widely available.
- information on sources of support and guidance for staff; these are shared using a variety of channels and formats including hard copy and e-newsletters, posters, webinars, videos, an intranet, yammer and other apps.
- the group-wide Inclusion and Diversity Network; this is made up of team members from across The Group's business and functions who create and review detailed plans to ensure accountability and achievement of diversity goals across The Group.
- the Company's active employee-led networks covering diversity and inclusion, gender equality, LGBT+, veterans, parents and disability; these provide support for their members and feedback to the Directors to promote an inclusive and accessible workplace.
- providing a package of health and wellness initiatives, which encompass all aspects of wellbeing – physical, emotional, social and financial. New for 2022 included the recruitment of 19 wellbeing ambassadors around the business to raise awareness of the resources available and 6 'know your numbers' roadshows where 72 frontline staff received health checks, resulting in a third being referred for follow up treatment with their GP.

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

The Directors oversaw a broad program of stakeholder engagement by the Company in ensuring good corporate citizenship as well as bilateral and multilateral dialogue with key stakeholders throughout the year as follows:

- the Directors and senior management regularly engaged and consulted with the Company's customers, suppliers and partners in a variety of forums and through everyday operations to obtain feedback, deepen relationships and resolve day-to-day business matters.
- the customer insight team obtained customer satisfaction and related feedback through customer surveys, enabling the Company to build customer value propositions and services tailored to meet customer needs. Feedback on the customer experience at key touchpoints in the customer journey, was used to direct continuous improvement activities to make it easy for customers to deal with the Company.
- the Company hosted a two-day conference for its customers in June, with expert speakers considering the impact of upcoming policy reforms on the sector.
- to engage with stakeholders across the value chain, the Company contributed to key industry events throughout the year, with company spokespeople regularly featuring on panels on a variety of topics.
- the Company continued its popular webinar programme in 2022, hosting online panel discussions on topical issues each month with expert speakers from SUEZ, the industry and partners across the value chain. These free to attend events, regularly attract attendance in the hundreds and are made available on demand through the website.
- government and industry engagement is regularly undertaken, both independently and through membership of recognised organisations including the Environmental Services Association (ESA), Chartered Institution of Wastes Management (CIWM), The Aldersgate Group, Social Enterprise UK and Business for Nature.
- the Company's Compensation and Benefits functions regularly engaged with, and where appropriate consulted, the trustees of the Company's pension schemes, updating and consulting the Board, as appropriate on key matters and decisions.

**Strategic Report (continued)
For the Year Ended 31 December 2022**

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

The Company's People, Planet, Profit triple bottom line approach underpins its commitment to having a positive impact on local communities and the environment. This approach has been embraced by employees, with numerous bottom-up initiatives supporting the high-level strategy.

The Company has invested in tools to analyse and understand its impacts. For social value, it uses Loop, a bespoke tool developed for SUEZ to understand and demonstrate the social value created at the level of a local community or individual project, as well as Company-wide.

For our environmental impacts, we measure the resources we handle and the carbon impacts associated with our activities and also how we improve biodiversity, see page 9 Environmental matters.

The Company operates a transparent, 'open door' approach across its estate, offering site visits to help address any local complaints or concerns. Several sites located in or near residential areas have their own community liaison groups to provide a forum for dialogue with local residents and their elected representatives on the Company's operations. On a wider scale, our community liaison and education staff have led a SUEZ presence at events throughout the year such as county shows, careers fairs, and networking forums for local SMEs.

In 2022, the Company's 'Day a Year to Volunteer' scheme has fostered closer links with local communities by enabling all staff to spend a day volunteering in their local community. 934 volunteering days were recorded in 2022 and in several instances the volunteering has created ongoing relationships with local community organisations.

The Company's charitable 'Giving Something Back' campaign remains strong, in 2022 it celebrated raising over £500,000 for Macmillan Cancer Support since its corporate charity partnership began in 2013.

Around the country, local teams rallied to support good causes in their communities and further afield, donating to food banks and Christmas toy collections and also collecting supplies to be sent to Ukraine.

In 2022, the Company's People and Planet fund marked its second year; the fund is linked to the Company's expert practitioner service; Scope, which runs on a non-profit basis. Any profit made from its activities is reinvested into local communities or improvement projects. In December 2022 a total of £25,000 was donated to 60 charities around the UK nominated by staff including food banks, organisations supporting the homeless, and organisations working to make Christmas special for vulnerable families, for the elderly and for children with additional needs.

Local action is also being taken to improve the environment by the Company's network of 191 sustainability champions. Guided by a set of core principles and benefitting from advice from company experts and peer support, the champions develop an action plan for their location and lead activities at their sites to improve the local environment and reduce environmental impacts. In 2022, the champions helped introduce new habitats to support biodiversity; including ponds, wildflower planting and bird and insect houses. They developed initiatives to reduce waste and increase reuse and recycling such as providing reusable bags for lunchtime shopping trips, reducing printing at weighbridges and introducing intra-office reuse / swap schemes. In line with the principles, they also found ways to travel smarter such as car sharing, cycling and using public transport, improve wellbeing, connect with their local communities and reduce water and energy usage.

The Company maintains a collaborative and positive relationship with key environmental regulators, the Environment Agency and Scottish Environmental Protection Agency. Regular meetings are held with our account management teams to update on environmental compliance and discuss regulatory developments.

As a net exporter of energy with over 300 sites in the UK, SUEZ aims to use electricity generated by its own facilities to power all business operations in the UK. This 100% renewable self-supply arrangement reduces the businesses' impact on the environment when compared with non-renewable sources.

The renewable electricity generated by The Group is a combination of energy generated from energy-from-waste facilities, anaerobic digestion and landfill gas sites. In the UK, approximately 10% of the renewable electricity generated is supplied directly back to the business through the self-supply deal.

SUEZ Recycling and Recovery Kirklees Ltd

Strategic Report (continued) For the Year Ended 31 December 2022

SUEZ receives a Renewable Energy Guarantee of Origin (REGO) certificate for every megawatt hour of renewable electricity generated, from the regulator, Ofgem, which verifies that the electricity is 100% renewable. SUEZ is able to supply the rest of the business and operations at all of its 300 sites across the UK with own-generated renewable power. As the deal is REGO certified, the electricity is guaranteed as 100% renewable. In 2022, SUEZ generated over 1,377,000 MWh of electricity, which is enough to power approximately 500,000 homes.

Further details of the social value and environmental initiatives deployed by SUEZ can be found in our most recent sustainability report which is available to download from our website www.suez.co.uk.

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

The Group has group-wide policies which apply to the Company's entire workforce and govern business practices and provide guidance for ethical decision making. These policies govern interactions with the Company's customers, suppliers, and partners as well as matters relating to anti-corruption, conflicts of interest, amenities, workplace harassment and supply chain responsibility amongst other matters. Mandatory annual ethics training supports the implementation of these policies.

The Group has a separately designated standing audit team who throughout the year, on a weekly basis, conducts internal compliance audits of The Group's business operations and functions including those of the Company.

Every member of the workforce in their day-to-day behaviour, in the way they perform their roles and responsibilities and in their business dealings with others, must apply The Group's values and ethics principles, which are:

- Acting in accordance with laws and regulations;
- Establishing a culture of integrity;
- Behaving fairly and honestly;
- Respecting others.

All individuals should seek to use good sense and judgment in their actions, and they are encouraged to discuss the ethical questions and dilemmas inherent in any professional activity with colleagues and line managers. Identifying ethical conduct and avoiding mistakes support the Company's commitment to continuous improvement.

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

For the year under review, the Company has been a wholly owned subsidiary within the SUEZ Recycling and Recovery UK Group (The Group). Where relevant, decisions of the Company's Board are also discussed at the meetings of the intermediate Parent Company Board. The Group's Chief Executive Officer and the Chief Finance Officer also sit on the intermediate Parent Company Board.

This report was approved by the board on 29 September 2023 and signed on its behalf.



C Thorn
Director

SUEZ Recycling and Recovery Kirklees Ltd

Directors' Report For the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

The Company is engaged in the waste management business encompassing waste disposal and ancillary services.

The Company operates as part of the Energy division of the SUEZ Recycling and Recovery UK Group ("The Group").

Results and dividends

The profit for the year, after taxation, amounted to £3,480,000 (2021 - £3,210,000).

The directors do not recommend the payment of a dividend (2021 - £nil).

Directors

The directors who served during the year were:

J Scanlon
G Mayson (resigned 4 April 2023)
J Wilkinson
N Arshad-Mather
C Thorn
M Dewison
J Taylor

Going Concern

The Company's going concern is intrinsically linked to the performance, risks and going concern of the SUEZ Recycling and Recovery UK Group ("The Group"). The Group has considerable financial resources together with long term contracts with a number of customers across different geographic areas and within different sectors of the recycling industry. As a result, the directors believe that The Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

At 31 December 2022 the Company had net liabilities of £9,964,000 (2021 - £13,444,000). The directors are of the opinion that the going concern basis continues to be the appropriate basis for the preparation of the financial statements as SUEZ Recycling and Recovery Holdings UK Ltd has confirmed its intention and ability to provide such financial support as may be necessary to allow the Company to continue to operate as a going concern and to meet all of its obligations in full for the next twelve months from the date of approval of these financial statements. SUEZ Recycling and Recovery Holdings UK Ltd has also confirmed that the Company will not be required to pay amounts due to other group undertakings unless the Company has sufficient funds to pay other creditors in full.

The Group benefits from a current account overdraft facility from SUEZ SA to finance day to day activities. As at 31 December 2022 the balance was £137,315,000 of the available £200,000,000. It also benefits from long term loans from SUEZ SA regarding some of our major infrastructure projects. The loans are subject to contractual terms and repayment schedules in line with the operational activities of the infrastructure that they finance. We consider it highly unlikely that SUEZ SA would cancel the overdraft facility that we have in place. However, should this unlikely event occur, we believe we would be able to replace the facility with external debt thanks to our strong credit reputation and relationships with UK banks.

The Group currently has no external (non group) loans in place. Cashflow forecasts for The Group show that it is not expected that the overdraft facility with SUEZ Holdings S.A.S will be breached in the next 12 months, with significant headroom for any unknown events also. Therefore no sensitivity analysis has been performed.

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

SUEZ Recycling and Recovery Kirklees Ltd

Directors' Report (continued) For the Year Ended 31 December 2022

Future developments

The directors expect that the Company will continue to trade profitably and at similar volumes for the remaining extended life of the contract.

Environmental matters

Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

| | 2022 | 2021 |
|---|---------------|---------------|
| Total energy consumption used to calculate emissions | 6,165,095,079 | 6,656,527,447 |
| Emissions from combustion of gas (Scope 1) | 42 | 43 |
| Emissions from the combustion of landfill gas & biogas (Scope 1) | 2,512 | 2,949 |
| Emissions from combustion of fuel for transport purposes (Scope 1) | 77,161 | 56,321 |
| Emissions from purchased electricity (Scope 2, location-based) | 10,248 | 12,118 |
| Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) | 632.5 | 431.4 |
| Total gross CO ₂ e based on above (location based) | 914,675 | 948,978 |
| Intensity ratio: tCO ₂ e gross / tonnes waste handled (location based) | 79 | 82 |

Energy Efficiency Action

During the year The Group have undertaken a number of energy and carbon reduction improvement actions. These are summarised as follows and are associated with the electricity and fuel consumed, the infrastructure and equipment operated, and the training and education we provide to our employees as well as our wider stakeholders in order to further our efforts towards sustainable resource consumption and achieving our goal to be better than carbon neutral by 2040.

Electricity

Ensuring the continued purchase of 100% renewable electricity for The Group's operations.

Fuel

The Group still promote the uptake of digital meetings to avoid travel where possible.

Infrastructure and Equipment

After the introduction of electric vehicles into our company car fleet in 2020 38% of light vehicles are now electric together with the ongoing installation of electric vehicle charging points with 206 charging points now installed across 54 locations to support our transition towards an electric company car fleet.

In 2022 we migrated to a new Purchase to Pay procurement system which will allow greater detail for the analysis of purchasing of commodities such as gas oil, diesel, HVO and Kerosene

Awareness and Education

In 2022 we generated 1,355,022 MWh of electricity and 1,320,863 MWh of heat from the resources we manage.

With the continuation of our 10 Sustainability Principles and network of Sustainability Champions we put sustainable behaviours at the heart of how we operate. Staff regularly also attended and host various internal and external webinars to raise awareness of reducing consumption and associated carbon emissions.

We are improving our internal communications across our sites to share greater information on our energy efficiency and resource consumption.

**Directors' Report (continued)
For the Year Ended 31 December 2022**

Matters covered in the strategic report

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

Engagement with employees

The Company, as part of The Group, communicates with its employees using a variety of channels and formats to share business updates, and company priorities including hard copy and e-newsletters, posters, webinars, videos, an intranet, Yammer and other apps. Key messages, such as updates on the CMA investigation are shared using multiple formats and channels to improve reach with frontline staff who are not working online during standard working hours.

The Directors engaged directly with employees via emails, social media channels and webinars, which give our employees the opportunity to interact with and give feedback to members of the Board and senior management.

The Company's annual staff conferences for managers returned to their usual 'in person' format in 2022 after a move online in 2021 to comply with Covid-19 restrictions. The conferences, held every spring and led by the Directors, provide a forum for updating on progress in each of the critical success factors (CSFs), communicating the business priorities for that year and celebrating successes. They are also an opportunity for managers to give feedback to senior leaders. As part of efforts to extend engagement with operational teams, representatives from the frontline attended each of the conferences. At each conference, awards were given out to individuals or teams who had demonstrated exceptional performance in one of the eight CSFs. These annual awards are supported by a monthly scheme, where staff can nominate their peers to receive an award in one of the CSF areas.

The Company's biennial employee engagement survey, U Say, is open to all employees and was carried out in September 2022, achieving a participation rate of 83%. The Board considers the results of all employee engagement as a good barometer of the workforce's confidence in The Group's strategic direction, optimism in the future and career opportunities. Overall engagement levels have been sustained since the 2020 survey, a notable achievement during a period of change for the Company and for society as a whole and the Company retained its ranking in the Top 25 Best Big Companies to work for. The results will be cascaded throughout the organisation throughout spring 2023, with line managers, heads of department and the senior management team all tasked with developing action plans by April to address areas identified for improvement.

Throughout 2022 The Group's health and safety (H&S) training programme continued to focus on 'Situational Awareness', targeting a reduction in injuries that could have been avoided if people were more aware of their surroundings. However it was a challenging year for the entire Industry with H&S performance for all, affected as a result. Multiple factors including BREXIT, which is one of the root causes of the National driver shortage, and a high churn rate (especially seen in manual roles) impacted the The Group's H&S performance KPI's. As a result our accident frequency rate increased by 19% compared to prior year. The churn rate led to a higher number of less experienced employees within the business and a higher training demand on managers and supervisors onboarding them. Low level incident types, such as slips and trips, increased which with heightened situational awareness of employees could have been avoided. Therefore across 2023 our situational awareness programme remains a key focus in these areas along with top priority given to specific intervention strategies to target key performance areas as indicated by our 2022 data.

The Chief Executive Officer (CEO), Chief Human Resources Officer and members of the senior management team had calls and met with the SWC to discuss, amongst other things the agreement for the sale of the SUEZ S.A Group, including the The Group to Veolia S.A., and the subsequent investigation by the Competition and Markets Authority, to ensure the Board responded to all matters that are important to all its employees.

SUEZ Recycling and Recovery Kirklees Ltd

Directors' Report (continued) For the Year Ended 31 December 2022

Engagement with employees (continued)

The Group ran over 20, Wellness for All, webinars spanning different aspects of mental and physical wellbeing, inclusion and diversity. Webinars are made available on demand to promote accessibility amongst operational teams who are less likely to be able to watch live. In 2022, the Company also introduced a number of topic specific sharing sessions, where employees could hear from an expert on a particular issue and share their experiences to benefit from peer support.

The rewards and benefits portal, You@SUEZ continued to offer wellbeing resources for all staff alongside discounts at a wide range of high street retailers. All staff can also sign up to the Wecare service where they can access online GP appointments, including out of hours and counselling services.

Engagement with suppliers, customers and others

Customers

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

In 2022, the results of the Customer Effort Scores, the metric used to measure customer satisfaction, showed strong performance in all areas and improved by three percentage points on 2021 scores. As a further measure, the Company began proactively inviting customers to leave feedback through Trustpilot at key points in the customer journey, receiving 524 customer reviews in 2022 and improving its mean customer score by 0.5.

Alongside this, the Company received feedback through its website, social media channels and in hard copy from customers and local residents who it services on behalf of customers. All feedback is acknowledged and shared with the relevant team or individual and any complaints are investigated with a response provided.

Customers were kept informed by email at key milestones during the sale of The Group to Veolia S.A., the subsequent investigation by the Competition and Markets Authority and the re-acquisition by SUEZ group.

Suppliers

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

The Board receives information through various group's Board reports produced throughout the business. In 2022, in support of the digitalisation and data accuracy CSF, the Company introduced a new portal for supplier management, Coupa. This allows suppliers to register with SUEZ and submit invoices online. It gives improved visibility of spending with suppliers and reduces manual interventions in the invoicing process, improving efficiencies and oversight of supplier spending. It also provides an enhanced experience for suppliers who can check the status of their invoices in real time.

The Company ran its inaugural supplier awards in 2022, recognising suppliers that share its values and that helped the Company achieve its goals. The awards covered five categories, aligned to the CSFs and triple bottom line, with a winner and 'highly commended' available in each category.

Suppliers were kept informed at key milestones during the sale of The Group to Veolia S.A., the subsequent investigation by the Competition and Markets Authority and the re-acquisition by SUEZ group.

Other stakeholders

Other key stakeholders include the Government, Regulators, Local Authorities and the Trustees of The Group and other associated pensions schemes. With the lifting of Covid-19 restrictions some face-to-face meetings and site visits resumed. Where appropriate virtual meetings were maintained in many instances, improving efficiencies and avoiding the carbon impacts of business travel.

The CEO, some Directors and senior managers participated in discussions with members of Government and senior officials to provide an overview of the recycling and recovery industry and to give feedback on reforms being considered by Government.

During the year the Directors engaged with the Competition and Markets Authority (CMA) in relation to the

Directors' Report (continued)
For the Year Ended 31 December 2022

SUEZ/Veolia merger providing fortnightly reporting and more frequently as matters progressed, seeking derogations where necessary. The Company and the Trustees of The Group's defined pension schemes are in regular dialogue and work collaboratively to support the smooth running of the schemes.

The Environment

The Group's goals are to provide products and services that are safe and environmentally sound throughout their lifecycles, and conduct operations in an environmentally responsible manner. To accomplish this, the Company will:

- Pursue pollution prevention, energy conservation and waste reduction in operations;
- Design and manufacture products to be safe to use and to minimise their environmental impact;
- Offer customers environmentally responsible end-of-life management services for products; and
- Require suppliers to conduct their operations in a socially and environmentally responsible manner.

The Company achieves this by integrating these objectives into business planning, decision-making, performance tracking and review processes to ensure that goals are reached and continually improved upon.

Directors' Indemnity

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

SUEZ Recycling and Recovery Kirklees Ltd

Directors' Report (continued) For the Year Ended 31 December 2022

Disclosure of information to auditor

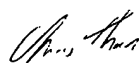
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditor

The auditor, Mazars LLP, is deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 7 July 2003.

This report was approved by the board on 29 September 2023 and signed on its behalf.



C Thorn
Director

SUEZ Recycling and Recovery Kirklees Ltd

Independent Auditor's Report to the Members of SUEZ Recycling and Recovery Kirklees Ltd

Opinion

We have audited the financial statements of SUEZ Recycling and Recovery Kirklees Ltd (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, 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 state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 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.

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 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.

SUEZ Recycling and Recovery Kirklees Ltd

Independent Auditor's Report to the Members of SUEZ Recycling and Recovery Kirklees Ltd (continued)

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 11, 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.

Independent Auditor's Report to the Members of SUEZ Recycling and Recovery Kirklees Ltd (continued)

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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: environmental legislation, employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to maintenance provisions, revenue recognition (which we pinpointed to the valuation and cut off of accrued income balances), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

SUEZ Recycling and Recovery Kirklees Ltd

Independent Auditor's Report to the Members of SUEZ Recycling and Recovery Kirklees Ltd (continued)

Use of the audit report

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



Jon Barnard (Sep 29, 2023 14:24 GMT+1)

Jonathan Barnard (Senior Statutory Auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

90 Victoria Street

Bristol

BS1 6DP

Date: Sep 29, 2023

SUEZ Recycling and Recovery Kirklees Ltd

Statement of Comprehensive Income For the Year Ended 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|--|------|--------------|--------------|
| Turnover | 4 | 28,623 | 23,548 |
| Cost of sales | | (22,193) | (20,814) |
| Gross profit | | 6,430 | 2,734 |
| Administrative expenses | | (1,643) | 828 |
| Operating profit | 5 | 4,787 | 3,562 |
| Interest receivable and similar income | 8 | 426 | 685 |
| Interest payable and similar expenses | 9 | (752) | (82) |
| Profit before tax | | 4,461 | 4,165 |
| Tax charge on profit | 10 | (981) | (955) |
| Profit for the financial year | | 3,480 | 3,210 |
| Total comprehensive income for the year | | 3,480 | 3,210 |

The notes on pages 20 to 41 form part of these financial statements.

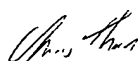
All profit and total comprehensive profit for the year is attributable to continuing operations.

SUEZ Recycling and Recovery Kirklees Ltd
Registered number: 03497105

Statement of Financial Position
As at 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|---|------|----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 11 | 132 | 107 |
| | | <u>132</u> | <u>107</u> |
| Current assets | | | |
| Stocks | 12 | 1,666 | 1,551 |
| Debtors: amounts falling due after more than one year | 13 | 2,760 | 4,741 |
| Debtors: amounts falling due within one year | 13 | 6,340 | 5,132 |
| | | <u>10,766</u> | <u>11,424</u> |
| Creditors: amounts falling due within one year | 14 | (19,682) | (23,026) |
| Net current liabilities | | <u>(8,916)</u> | <u>(11,602)</u> |
| Total assets less current liabilities | | <u>(8,784)</u> | <u>(11,495)</u> |
| Creditors: amounts falling due after more than one year | 15 | (26) | (21) |
| | | <u>(8,810)</u> | <u>(11,516)</u> |
| Provisions for liabilities | | | |
| Deferred taxation | 17 | (40) | (38) |
| Other provisions | 19 | (1,114) | (1,890) |
| | | <u>(1,154)</u> | <u>(1,928)</u> |
| Net liabilities | | <u>(9,964)</u> | <u>(13,444)</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 8,839 | 8,839 |
| Profit and loss account | 20 | (18,803) | (22,283) |
| Shareholders' deficit - equity | | <u>(9,964)</u> | <u>(13,444)</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 September 2023



C Thorn
Director

SUEZ Recycling and Recovery Kirklees Ltd

Statement of Changes in Equity For the Year Ended 31 December 2022

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|----------------|
| | £000 | £000 | £000 |
| At 1 January 2022 | 8,839 | (22,283) | (13,444) |
| Comprehensive profit for the year | | | |
| Profit for the year | - | 3,480 | 3,480 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive profit for the year | - | 3,480 | 3,480 |
| At 31 December 2022 | 8,839 | (18,803) | (9,964) |

The notes on pages 20 to 41 form part of these financial statements.

Statement of Changes in Equity For the Year Ended 31 December 2021

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|-----------------|
| | £000 | £000 | £000 |
| At 1 January 2021 | 8,839 | (25,493) | (16,654) |
| Comprehensive profit for the year | | | |
| Profit for the year | - | 3,210 | 3,210 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive profit for the year | - | 3,210 | 3,210 |
| At 31 December 2021 | 8,839 | (22,283) | (13,444) |

The notes on pages 20 to 41 form part of these financial statements.

SUEZ Recycling and Recovery Kirklees Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General Information

SUEZ Recycling and Recovery Kirklees Limited is a private company limited by shares incorporated, domiciled and registered in England & Wales. These financial statements cover the individual entity. The address of its registered office and principal place of business is SUEZ House, Grenfell Road, Maidenhead, Berkshire SL6 1ES. The Company's registered number is 03497105.

The principal activities of the Company are waste management encompassing waste disposal and ancillary services.

The Company's intermediate parent company is SHUKCO 327 Limited, incorporated and registered in the United Kingdom, which owns 100% of the Company ordinary share capital.

At the balance sheet date, the ultimate parent company was SUEZ Holdings S.A.S, a company incorporated and registered in France.

The Group in which the Company is incorporated into is SUEZ Holdings S.A.S. The consolidated financial statements of SUEZ Holdings S.A.S may be obtained from Tour CB21, 16 Place de L'Iris, 92400 Courbevoie, France.

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

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The recognition, measurement and disclosure requirements of International Financial Reporting Standard have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium sized Companies and Groups Regulations 2008/410 ('Regulations').

These financial statements have been prepared under the historical costs convention except for the following assets and liabilities which are stated at their fair value: derivative financial instruments.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures.
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- the requirements of IAS 7 Statement of Cash Flows.
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures.
- 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.
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of paragraphs 6 to 21 of IFRS 1 First-time adoption of International Financial Reporting.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The Company has **NOT** taken advantage of the following disclosure exemptions under FRS 101 as not applicable to the Company:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- 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.
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture.
- Annual Improvements Cycle 2018 – 2020.
- IAS 37 Amendment: Onerous Contracts: Cost of Fulfilling a Contract.
- IAS 16 Amendment: Property, Plant and Equipment: Proceeds before Intended Use.
- IFRS 3 Amendment: Reference to the Conceptual Framework.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)

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

Effective from 1 January 2023:

- IAS 1 Amendment: Classification of Liabilities as Current or Non-current and Deferral of Effective Date.
- IAS 1 Amendment: Disclosure of Accounting Policies.
- IAS 8 Amendment: Definition of Accounting Estimates.
- IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- IFRS 17 Insurance Contracts and IFRS 17 Amendment: Amendments to IFRS 17.

2.3 Going concern

The Company's going concern is intrinsically linked to the performance, risks and going concern of the SUEZ Recycling and Recovery UK Group ("The Group"). The Group has considerable financial resources together with long term contracts with a number of customers across different geographic areas and within different sectors of the recycling industry. As a result, the directors believe that The Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

At 31 December 2022 the Company had net liabilities of £9,964,000 (2021 - £13,444,000). The directors are of the opinion that the going concern basis continues to be the appropriate basis for the preparation of the financial statements as SUEZ Recycling and Recovery Holdings UK Ltd has confirmed its intention and ability to provide such financial support as may be necessary to allow the Company to continue to operate as a going concern and to meet all of its obligations in full for the next twelve months from the date of approval of these financial statements. SUEZ Recycling and Recovery Holdings UK Ltd has also confirmed that the Company will not be required to pay amounts due to other group undertakings unless the Company has sufficient funds to pay other creditors in full.

The Group benefits from a current account overdraft facility from SUEZ SA to finance day to day activities. As at 31 December 2022 the balance was £137,315,000 of the available £200,000,000. It also benefits from long term loans from SUEZ SA regarding some of our major infrastructure projects. The loans are subject to contractual terms and repayment schedules in line with the operational activities of the infrastructure that they finance. We consider it highly unlikely that SUEZ SA would cancel the overdraft facility that we have in place. However, should this unlikely event occur, we believe we would be able to replace the facility with external debt thanks to our strong credit reputation and relationships with UK banks.

The Group currently has no external (non group) loans in place. Cashflow forecasts for The Group show that it is not expected that the overdraft facility with SUEZ Holdings S.A.S will be breached in the next 12 months, with significant headroom for any unknown events also. Therefore no sensitivity analysis has been performed.

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

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.4 Revenue

Revenue arising from the handling and disposal of waste is recognised on receipt of the waste by the Company.

Revenue from the sale of recyclate materials is recognised, based on contractually agreed prices, when the risks and rewards have passed to the buyer.

Revenue arising on generation of electricity and gas is recognised as the energy is generated.

2.5 Leases

The Company as a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

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

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

The right-of-use assets are included in the 'Tangible Fixed Assets' line, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.7.

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

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|------------------------------------|-------------------------------|
| Short leasehold land and buildings | - 5 years, straight line |
| Motor vehicles | - 3 - 12 years, straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. 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 (or CGU'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 (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Stocks

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

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are established based on the lifetime expected loss model. The amount of any provision is recognised in profit and loss.

Financial liabilities

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

At amortised cost

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

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. Contributions are made by the Company and the employees to a separately administered fund.

The Company participates in The Group's defined benefit pension schemes and the pension charge is based on full actuarial valuations dated between 31 December 2021 and 5 April 2022. These are schemes under common control, the assets and liabilities of which are held separately from The Group. The Company is unable to identify its share of the underlying assets and liabilities of the schemes and accordingly accounts for the schemes as if they were defined contribution schemes.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.14 Service concession financial asset

In accordance with IFRIC 12 and the various provisions of IFRS, the Company has determined the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts. Results of all service concessions which fall within the scope of IFRIC12 conform to the following policies depending on the rights to consideration under the service concessions:

Service concessions treated as financial assets

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

Revenue is recognised by allocating a proportion of total cash receivable to construction income and service income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable.

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

The financial assets are held as loans or receivables in accordance with IAS39: 'Financial instruments: Recognition and measurement'. Financial Assets are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method less any impairment losses.

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

The Company has the right to both accept and process third party waste, and to generate electricity revenues at the waste facilities.

There are provisions in the contract for termination (and related compensation) in the event of default or voluntary termination by the operator or grantor. There is provision in the contract for an extension of the contract period for a further 3 years as long as both parties are agreeable. The contract specifies that the waste management facilities are to be returned to Kirklees Metropolitan Council at the end of the contract in an appropriate condition.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

Service concession financial asset (continued)

The service arrangement has been classified as a financial asset under IFRIC 12 due to the highly guaranteed nature of the expected revenues from the contract, which are expected to cover the fair value of the construction services.

2.15 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.16 Provisions for liabilities

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

Closure costs:

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

Post closure costs:

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

Post-closure provisions have been shown at net present value. The current cost estimated has been inflated at 2.21% (2021 - 2.44%) and discounted at 3.10% (2021 - 5.84%). The unwinding of the discount element is shown in the financial statements as a financial item.

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

The Company provides for both closure and post-closure costs as the permitted airspace is used.

Maintenance provisions:

Maintenance provisions are associated with the costs of maintaining and replacing assets as required under the terms of contracts in place with Local Authorities. The Company estimates its total future requirements for maintenance costs for the facilities operated and maintained under the respective contracts to create a provision. This provision is then released over the life of the contract.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.17 Current and deferred taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

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

Judgments

The Company management makes judgments to define the appropriate accounting treatment to apply to certain activities and transactions, when the effective IFRS standards and interpretations do not specifically deal with the related accounting issue. This particularly applies in relation to the recognition of concession arrangements.

- Service concession arrangements – Consideration from contract with public sector entities for waste management service concessions is treated as either a contract receivable or an intangible asset or a mixture of both based on the right to receive cash from the arrangement. Management have used judgment to determine the fair value of the services provided when splitting the contractual receivables between the construction of assets, the operating of the facilities and the provision of financing. Further details of these arrangements is found in accounting policy 2.14.

Estimates

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

The key estimates used by the Company in preparing the Financial Statements relate mainly to:

- Landfill provisions – The post closure costs associated with environmental control after landfill sites close are uncertain. The key factors are the volumes of leachate requiring treatment, the amount of landfill gas produced by the site and the amounts of electricity income this can generate, the speed at which the waste decomposes and other requirements set out by the environmental regulator. The provision requirement is reviewed and updated, if required, on an annual basis.

The provision is recognised in the financial statements at net present value using a discounted rate estimated by management to reflect the time value of money.

At 31 December 2022 the Company's landfill provisions were £0.5m (2021: £0.4m) (Note 19)

A 0.5% increase to the discount rate would result in £34,000 increase in provision.

A 0.5% decrease to the discount rate would result in £30,000 decrease in provision.

- Maintenance Provision - Estimates are made of maintenance costs to be incurred over the length of operating the facilities under operations and maintenance contracts. These cost estimates are prepared by technical experts within SUEZ based on experience in operating similar facilities along with the specific maintenance needs of each facility and contract. These cost estimates are reviewed and updated each year by senior management and are used as the basis for the maintenance provision. At 31 December 2022 the Company's maintenance provision was £0.6m (2021: £1.5m) (Note 19).

SUEZ Recycling and Recovery Kirklees Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

4. Turnover

An analysis of turnover by class of business is as follows:

| | 2022 £000 | 2021 £000 |
|----------------------------|---------------|---------------|
| Service concession revenue | 20,786 | 17,624 |
| Sale of recyclates | 2,223 | 1,817 |
| Generation of electricity | 5,614 | 4,107 |
| | <u>28,623</u> | <u>23,548</u> |

Analysis of turnover by country of destination:

| | 2022 £000 | 2021 £000 |
|----------------|---------------|---------------|
| United Kingdom | 28,623 | 23,548 |
| | <u>28,623</u> | <u>23,548</u> |

During the year ended 31 December 2022, £686,000 has been recognised in revenue relating to the release of contract liabilities held at the end of the prior year 31 December 2021.

There has been no revenue recognised in the reporting period from performance obligations satisfied in previous periods.

At the year end there is £99,000 of revenue still to be recognised in relation to remaining performance obligations that are unsatisfied.

5. Operating profit

The operating profit is stated after charging:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Depreciation of tangible fixed assets - right of use | 75 | 48 |
| Reversal of impairment of intangible assets | - | (146) |
| Cost of stocks recognised as an expense | 637 | 257 |
| | <u>637</u> | <u>257</u> |

6. Auditors' remuneration

For the year ended 31 December 2022 and the prior year, auditor's remuneration was borne by a fellow group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in The Group accounts of the parent company.

SUEZ Recycling and Recovery Kirklees Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

7. Employees

Staff costs were as follows:

| | 2022 £000 | 2021 £000 |
|-------------------------------------|--------------|--------------|
| Wages and salaries | 4,749 | 4,234 |
| Social security costs | 535 | 436 |
| Cost of defined contribution scheme | 467 | 416 |
| | <u>5,751</u> | <u>5,086</u> |

All employees are employed by SUEZ Recycling and Recovery UK Limited and paid by SUEZ Recycling and Recovery Holdings UK Limited. Costs are then recharged to the Company.

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

| | 2022 No. | 2021 No. |
|-------------------------------|-------------|-------------|
| Direct operatives | 127 | 121 |
| Management and administration | 3 | 3 |
| | <u>130</u> | <u>124</u> |

During the year, no director received any emoluments from the Company (2021 - £NIL).

8. Interest receivable

| | 2022 £000 | 2021 £000 |
|---------------------------|--------------|--------------|
| Other interest receivable | 426 | 685 |
| | <u>426</u> | <u>685</u> |

9. Interest payable and similar expenses

| | 2022 £000 | 2021 £000 |
|-------------------------------|--------------|--------------|
| Unwinding of discount rate | 153 | 29 |
| Loans from group undertakings | 598 | 52 |
| Interest on lease liabilities | 1 | 1 |
| | <u>752</u> | <u>82</u> |

SUEZ Recycling and Recovery Kirklees Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

10. Taxation

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| UK corporation tax | | |
| Current tax on profit for the year | 965 | 1,182 |
| Adjustments in respect of previous periods | 14 | 60 |
| Total current tax charge | 979 | 1,242 |
| Deferred tax | | |
| Origination and reversal of timing differences | 13 | (227) |
| Adjustments in respect of prior periods | (11) | (60) |
| Total deferred tax | 2 | (287) |
| Tax charge on profit on ordinary activities | 981 | 955 |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | 4,461 | 4,165 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%) | 848 | 791 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | (11) | 5 |
| Remeasurement of deferred tax for changes in tax rates | 26 | (30) |
| Adjustments to tax charge in respect of prior periods | 3 | - |
| Taxable income | 115 | 189 |
| Total tax charge for the year | 981 | 955 |

Factors that may affect future tax charges

The increase to the corporation tax rate to 25% from 1 April 2023 had been substantively enacted at the balance sheet date and will have an effect on future tax charges. The deferred tax balance has been adjusted to reflect this change.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

11. Tangible fixed assets

| | Property £000 | Motor vehicles £000 | Total £000 |
|--|--------------------------|------------------------------------|-----------------------|
| Cost or valuation | | | |
| At 1 January 2022 | 37 | 151 | 188 |
| Right of use addition | 66 | 34 | 100 |
| Right of use disposal | - | (84) | (84) |
| At 31 December 2022 | <u>103</u> | <u>101</u> | <u>204</u> |
| Depreciation | | | |
| At 1 January 2022 | 16 | 65 | 81 |
| Charge for the year on right-of-use assets | 39 | 36 | 75 |
| Right of use disposal | - | (84) | (84) |
| At 31 December 2022 | <u>55</u> | <u>17</u> | <u>72</u> |
| Net book value | | | |
| At 31 December 2022 | <u>48</u> | <u>84</u> | <u>132</u> |
| At 31 December 2021 | <u>21</u> | <u>86</u> | <u>107</u> |

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

| | 2022 £000 | 2021 £000 |
|------------------------------------|----------------------|----------------------|
| Right-of-use tangible fixed assets | <u>132</u> | <u>107</u> |
| | <u>132</u> | <u>107</u> |

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

Net book value

| | 2022 £000 | 2021 £000 |
|----------------|----------------------|----------------------|
| Property | 48 | 21 |
| Motor vehicles | <u>84</u> | <u>86</u> |

SUEZ Recycling and Recovery Kirklees Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

11. Tangible fixed assets (continued)

Depreciation charge for the year ended

| | 2022 £000 | 2021 £000 |
|----------------|--------------|--------------|
| Property | 39 | 8 |
| Motor vehicles | 36 | 40 |
| | <u>75</u> | <u>48</u> |

12. Stocks

| | 2022 £000 | 2021 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 1,666 | 1,551 |
| | <u>1,666</u> | <u>1,551</u> |

In the year ended 31 December 2022 £637,000 (2021: £257,000) was the amount of inventory recognised as an expense. £nil has been written down in the year (2021: £nil).

The difference between purchase price of stock and their replacement costs is not material.

SUEZ Recycling and Recovery Kirklees Ltd

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

13. Debtors

| | 2022 £000 | 2021 £000 |
|-------------------------------------|----------------------|----------------------|
| Due after more than one year | | |
| Service concession financial asset | 2,760 | 4,741 |
| | 2,760 | 4,741 |
| | | |
| | 2022 £000 | 2021 £000 |
| Due within one year | | |
| Value Added Tax | 247 | 166 |
| Prepayments | 15 | 42 |
| Service concession financial asset | 1,981 | 1,808 |
| Contract asset | 4,097 | 3,116 |
| | 6,340 | 5,132 |

14. Creditors: Amounts falling due within one year

| | 2022 £000 | 2021 £000 |
|--------------------------------------|----------------------|----------------------|
| Trade creditors | 244 | 124 |
| Amounts owed to group undertakings | 17,679 | 20,334 |
| Corporation tax group relief payable | 965 | 1,182 |
| Other taxation and social security | 164 | 119 |
| Lease liabilities | 65 | 45 |
| Contract Liability | 99 | 686 |
| Other creditors | 16 | 13 |
| Accruals | 450 | 523 |
| | 19,682 | 23,026 |

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

| | 2022 £000 | 2021 £000 |
|-------------------|----------------------|----------------------|
| Lease liabilities | 26 | 21 |
| | 26 | 21 |

SUEZ Recycling and Recovery Kirklees Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

16. Financial instruments

| | 2022 £000 | 2021 £000 |
|---|-------------------|-------------------|
| Financial assets | | |
| Service concession financial asset | 4,741 | 6,549 |
| Financial assets that are debt instruments measured at amortised cost | 4,097 | 3,116 |
| | <u> </u> | <u> </u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | (18,480) | (21,060) |
| | <u> </u> | <u> </u> |

Financial assets measured at amortised cost comprise of contract assets.

Financial liabilities measured at amortised cost comprise mainly of amounts owed to group companies, trade creditors, other creditors, lease liabilities and accruals.

17. Deferred taxation

| | 2022 £000 | 2021 £000 |
|--------------------------------------|-------------------|-------------------|
| At beginning of year | (38) | (326) |
| (Charged)/credited to profit or loss | (2) | 288 |
| | <u> </u> | <u> </u> |
| At end of year | (40) | (38) |
| | <u> </u> | <u> </u> |

The provision for deferred taxation is made up as follows:

| | 2022 £000 | 2021 £000 |
|--------------------------------|-------------------|-------------------|
| Accelerated capital allowances | (214) | (421) |
| Other timing differences | 174 | 383 |
| | <u> </u> | <u> </u> |
| | (40) | (38) |
| | <u> </u> | <u> </u> |

SUEZ Recycling and Recovery Kirklees Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

18. Leases

Company as a lessee

Leases are in respect to vehicles and properties.

Lease liabilities are due as follows:

| | 2022 £000 | 2021 £000 |
|---------------------------------|--------------|--------------|
| Not later than one year | 65 | 45 |
| Between one year and five years | 26 | 21 |
| | <u>91</u> | <u>66</u> |

Contractual undiscounted cash flows are due as follows:

| | 2022 £000 | 2021 £000 |
|---------------------------------|--------------|--------------|
| Not later than one year | 67 | 46 |
| Between one year and five years | 29 | 20 |
| | <u>96</u> | <u>66</u> |

There is no significant liquidity risk in relation to lease liabilities.

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

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Interest expense on lease liabilities | 1 | 1 |
| Expenses relating to short-term leases | 431 | 338 |
| | <u>432</u> | <u>339</u> |

Notes to the Financial Statements
For the Year Ended 31 December 2022

19. Provisions

| | Environmental and landfill costs £000 | Maintenance provisions £000 | Total £000 |
|----------------------------|--|--------------------------------|---------------|
| At 1 January 2022 | 368 | 1,522 | 1,890 |
| Charged to profit or loss | - | 923 | 923 |
| Change in discount rate | 153 | - | 153 |
| Utilised in year | (35) | (1,817) | (1,852) |
| At 31 December 2022 | 486 | 628 | 1,114 |

Environmental and landfill costs

The provision for environmental and landfill costs has been calculated in accordance with the accounting policy set out in note 2.16. The closure costs will be incurred prior to and during the closure of the Company's landfill sites, whilst the post closure provision will be utilised over the 60 years thereafter.

Maintenance provisions

Provision has been made for the costs of maintaining and replacing assets as required under the terms of the contract with Kirklees Metropolitan Council. The directors expect that this provision will be utilised over the remaining, extended life, of the contract.

20. Reserves

Profit & loss account

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

21. Share capital

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Allotted, called up and fully paid | | |
| 19 (2021 - 19) "A" ordinary shares of £0.01 each | - | - |
| 81 (2021 - 81) "B" ordinary shares of £0.01 each | - | - |
| 8,839,377 (2021 - 8,839,377) ordinary shares of £1.00 each | 8,839 | 8,839 |
| | 8,839 | 8,839 |

The "A" and "B" ordinary shares entitle holders to one vote per share, but are not entitled to dividends. Voting rights for "A" shares cannot be used to remove a director appointed by "B" shareholders and vice versa. On winding up, "A" and "B" ordinary shares have priority over ordinary shares for repayment of capital. The ordinary shares do not entitle holders to vote or attend general meetings, but shareholders are entitled to dividends.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

22. Contingent liabilities

The Company has contingent liabilities under performance bonds and guarantees issued in the normal course of business amounting to £352,000 (2021 - £342,000).

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £434,000 (2021 - £354,000).

The Company participates in The Group defined benefit pension schemes and the pension charge is based on full actuarial valuations dated between 31 December 2021 and 5 April 2022. These are schemes under common control, the assets and liabilities of which are held separately from The Group.

There is no contractual arrangement or policy for charging the net benefit costs between the entities who participate in the scheme. The company has therefore recorded the contributions paid to the scheme as a charge to the income statement. Pension contributions are determined with the advice of independent qualified actuaries. The levels or contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme.

The assets in The Group schemes are measured at their fair value at the balance sheet date and overall expected rates of return are established by the directors following discussions with The Group's actuary. The liabilities in the scheme are measured on an actuarial basis using the projected unit method. The net liability of the UK schemes as disclosed in the consolidated accounts of the UK parent company, SUEZ Recycling & Recovery Holdings UK Limited, at 31st December 2022 is £5,673,000 (2021: £6,552,000).

The pension cost charge represents contributions payable by the Company to the funds and amounted to £33,000 (2021 - £62,000). It is not anticipated that future pension cost charges in SUEZ Recycling & Recovery Kirklees Limited will increase significantly because of the net liability in The Group pension schemes. The total amount expected to be contributed by the SUEZ Recycling & Recycling Holdings UK Limited Group to the schemes in 2022 is 2023 is £4,376,000 (2022 contributions - £4,333,000)

24. Related party transactions

During the year ended 31 December 2022, the Company made sales of £3,946,000 to SUEZ Recycling and Recovery UK Limited (2021: £4,472,000). The Company also made purchases of £9,027,000 from SUEZ Recycling and Recovery UK Limited (2021: £9,081,000). At 31 December 2022, SUEZ Recycling and Recovery Kirklees Limited had an intercompany creditor of £17,679,000 (2021: £20,334,000) owed to The Group companies. The Company incurred interest on the intercompany payable balance during the year ended 31 December 2022 of £598,000 (2021: £52,000).

SUEZ Recycling and Recovery Kirklees Limited made sales of £19,301,000 to Kirklees Metropolitan Council during the year ended 31 December 2022 (2021 - £18,991,000). At 31 December 2022, SUEZ Recycling and Recovery Kirklees Limited was owed £5,000 by Kirklees Metropolitan Council (2021 - £1,428,000).

SUEZ Recycling and Recovery Kirklees Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

25. Controlling party

At the year end the immediate parent undertaking was SHUKCO 327 LTD, a company incorporated in England & Wales.

The Company's ultimate parent company and ultimate controlling party is SUEZ Holdings S.A.S, a company incorporated in France. The parent undertaking of the largest Group, which includes the company and for which Group accounts are prepared, is SUEZ Holdings S.A.S, a company incorporated in France.

The parent undertaking of the smallest such Group is SUEZ Recycling and Recovery Holdings UK Limited, a company incorporated in England & Wales.

Copies of the Group financial statements of SUEZ Holdings S.A.S, are available from Tour CB21, 16 Place de L'Iris, 92400 Courbevoie, France. Copies of the Group financial statements of SUEZ Recycling and Recovery Holdings UK Limited are available from SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.