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Registered Number: 03525188 (England and Wales)

Mercia Waste Management Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2022

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MERCIA WASTE MANAGEMENT LIMITED
Contents of the Annual Report and Consolidated Financial Statements
For the year ended 31 December 2022

Contents

MERCIA WASTE MANAGEMENT LIMITED
OFFICERS AND PROFESSIONAL ADVISORS
For the year ended 31 December 2022

DIRECTORS:	FCC Environment Services (UK) Limited Urbaser Limited V F Orts Llopis J Peiro Balaguer
SECRETARY:	TMF Corporate Administration Services Limited
REGISTERED OFFICE:	The Marina Kings Road Evesham Worcestershire England WR11 3XZ
REGISTERED NUMBER	03525188 (England and Wales)
AUDITOR:	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX
BANKER:	HSBC Plc PO Box 4 6 Broad Street Worcester WR1 2EJ
SOLICITORS:	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ Harrison Clark Rickerbys LLP 5 Deansway Worcester WR1 2JG

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The Directors present their Strategic Report on the affairs of Mercia Waste Management Limited (the "Company") and its subsidiary undertaking, Beacon Waste Limited, (together the "Group"), together with the audited financial statements, for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Group and Company's principal activity is the management of household and civic amenity waste in the counties of Worcestershire and Herefordshire. The main undertakings of the business are as follows:

- the operation of an Energy from Waste Facility ("EfW"), and the Hill and Moor Landfill site for the disposal of domestic and commercial waste;
- the operation of a Commingled Waste Recycling facility;
- the operation of Household Waste Sites in Herefordshire and Worcestershire;
- the operation of sites for the storage, prior to transportation, of recyclable materials;
- transportation activities associated with the above;
- the production and sale of electricity;
- the recovery and sale of recyclable material; and
- the production and sale of compost.

REVIEW OF THE BUSINESS

The Group's key source of trade arises from a contract with the County Councils of Herefordshire and Worcestershire ('the Councils') for the management of household and civic amenity waste in the two counties. The contract, which was due to expire January 2024 was extended in December 2022 until January 2029.

Severn Waste Services Limited ('Severn'), a fellow company under common control, operates all of the Group's waste management installations under the terms of an Operation and Maintenance Services Agreement ('OMA'). Severn is responsible for performing the obligations of the Group for which it receives reimbursements of operating costs and a management fee.

In May 2014, the Company and the Councils of Herefordshire and Worcestershire signed a Variation to the original 1998 Contract between the parties. As a result of the Variation, the Company has in place loan facilities which enabled it to finance the construction of an Energy from Waste Plant ("EfW Plant") at Hartlebury in Worcestershire and these facilities have also been extended until January 2029.

The directors confirm that there are no significant events arising since the balance sheet date.

KEY PERFORMANCE INDICATORS

As shown in the Group's Profit and Loss Account on page 14, the Group's turnover increased by 21% compared with the prior year (2021: increased by 10%). The current sales performance for the Group is largely in line with expectations. Turnover is considered the key performance indicator for the business. The 2022 performance showed a significant increase on 2021 reflecting adjustments pursuant to the signing of the extension of the Waste Management Contract with the Councils in December 2022 and the significant increase in electricity prices in the second half of the year.

The Group Balance Sheet on page 15 of the financial statements shows the Group's financial position at the year end. The Group's cash levels have increased by £3,170,459, from £34,008,322 at the end of 2021 to £37,178,781 at the end of the current financial year due to the dividend payment in 2022 being lower. A dividend payment of £14m was made in March 2023. The cash balance remains significant and is sufficient for the Group's requirements including those of its Loan Facility. The Group does not have any other key performance indicators other than those outlined above.

RESULTS AND DIVIDENDS

The audited consolidated and Company financial statements for the year ended 31 December 2022 are set out on pages 14 to 32. The Group's profit for the year after taxation was £19,952,674 (2021 - £8,061,220). A total dividend of £4,058,000 (£40.58 per £1 ordinary share) was paid during the year (2021 - £14,614,000 and £146.14 per £1 ordinary share).

PRINCIPAL RISKS AND UNCERTAINTIES

Contractual Relationship

The majority of the Company's turnover and profit is derived from its contract with the Councils. The Board is delighted to able to report that on 30th December 2022 the Councils and Mercia agreed a five-year extension to the Contract which means that it will now terminate in January 2029. Risks are identified and assessed by the management team and reviewed by the Board of Directors. Resources are then allocated as appropriate.

Income Generation

A large element of the Company's revenues is derived from the EfW Plant at Hartlebury and the Materials Recycling Plant at Norton near Worcester. Any reduction in availability of these two Plants may lead to financial losses being incurred. The risk of this occurring is reduced by the use of suitably qualified staff and contractors and further mitigated by the existence of contingency plans and the retention of appropriate Business Interruption Insurance.

Relationship with Lender

Compliance with the terms of the loan facilities is essential. Appropriately qualified staff are engaged in administering the loan facilities, and the Company maintains regular contact with the lenders.

Sales Market Volatility

The Company receives income for the sale of electricity. This market proved to be highly volatile in 2022. The Company no longer has long term commitments to supply which created a risk where the EfW Plant was unavailable to make good the commitment. The Company is now making greater utilisation of the day ahead market to reduce the risk and the directors and management will continue to monitor whether this provides the optimal outcome for the Company.

The Company continues to monitor developments in recycling markets both from the point of view of profitability and in fulfilling contractual targets.

Insurance Market Risks

The Waste Industry as a whole has experienced significant losses due to fires and as a result the Insurance market is difficult and costs have increased significantly in recent years, however, the Company has an excellent record and works closely with its advisers and brokers to ensure insurance is available to the business for its assets.

Environmental Provisioning Risks

The determination of the restoration and aftercare provision for the landfill site is a financial risk for the Company. Management consider that this risk is mitigated through a regular review of expenditure incurred during the financial period together with an assessment of future costs which has been reviewed by external specialists.

Environmental Risks

The Company's risks are controlled by its adherence to the environmental legislation enforced principally by the Environment Agency ("EA"). Suitably qualified staff, employed by Severn Waste Services under the OMA, work with the EA to ensure compliance with all relevant legislation.

STATEMENT IN RESPECT OF S172 (1) OF THE COMPANIES ACT 2006

The directors of the Company are fully cognisant of their duty under Section 172 (1) (a) to (f) of the Companies Act 2006 to act in the way which they consider would be the most likely to promote the success of the Company for the benefit of the members as a whole, and in doing so have regard (amongst other matters) to the following:

- The likely consequences of any decision in the long term.
  The directors fulfil their duties by ensuring that there is an appropriate structure and process for governance running through the Company's operations. The Company's strategy is the result of careful consideration by both the Board and the senior management team. Full consideration is given to the Company's capital structure and its ability to fulfil its financial obligations and objectives, including its resilience in the face of new and existing risks.

- The Interest of the Company's employees should the Company take on any staff and those people working on its behalf for Mercia's sister Company Severn Waste Services Limited.
  The Company does not have any directly employed staff but via Severn appropriate arrangements are in place to ensure all legal and other requirements are met.

- The need to foster the Company's business relationships with suppliers, customers and others.
  The Company's interactions with suppliers, customers and others are informed by reviews with third party organisations, internal statistical review and research, and are subject to regular discussion and inspection.

- The impact of the Company's operations on the community and the environment.
  The Company's response to its environmental obligations is covered in more detail elsewhere and are at the core of our work. We work with, and take advice from suitably qualified third parties where appropriate and have senior management teams set up to review site performance on a regular basis. Our interaction with the public includes attending Community Liaison groups near to our main facilities and employing an Education Officer via Severn who holds lessons for school children on recycling and reuse as well welcoming other age groups to our recycling facility. The Company, again via Severn, is a long-term supporter of local wildlife trusts in the two counties and has contributed over £10m via the Landfill Communities Fund since its inception.

- The desirability of the Company maintaining a reputation for high standards of business conduct.
  The Company engages Directors of suitable experience and knowledge of the responsibilities and duties inherent in their role within the Company. A regular dialogue between the directors is augmented by the flow of relevant information from senior staff. The directors seek to maintain high standards in their conduct at all times and see high standards of business conduct as being fundamental to the success of the Company both financially and across all its interactions with other companies, staff, regulators and the wider community.

- The need to act fairly between members of the Company.
  Fairness in the treatment of the members of the Company is controlled by legal agreements between the joint owners in terms of Board appointments and other transactions. The Board and senior management team ensure that this balance is maintained at all times.

THE DIRECTOR'S APPROACH

The directors are in regular contact with the senior management team either directly or via the Company's internal reporting requirements and so are able to gauge compliance with the requirements of S172 across all relevant business disciplines. This is enhanced by an annual, external review of the Company's interactions with stakeholders.

KEY DECISIONS IN THE YEAR

The Company managed to secure the five - year contract extension mentioned above, the maximum available under the original Private Finance Initiative contract. The interests of key stakeholders were reviewed prior to terms being agreed.

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COMMUNITY AND ENVIRONMENT

The Company's activities are directly involved with and have a bearing on the natural environment. The directors are fully aware of this situation and the Company has quality systems in place to ensure that it complies with all relevant standards and legislation. These systems are regularly audited.

BUSINESS RELATIONSHIPS

The directors recognise the importance of promoting and nurturing positive relationships with the Company's customers and suppliers which are seen as fundamental in fulfilling many of the other obligations that the directors have toward its members.

The largest customers are the Councils of Worcestershire and Herefordshire and the Company has regular meetings to ensure its obligations are being fulfilled. The Company encourages feedback from Sites used by residents of the two Counties, logging both compliments and complaints. The Company worked closely and extensively with the Officers of and Advisers to the Councils during the year leading to the achievement of the mutually beneficial Contract Extension.

The directors ensure that the Company's suppliers are properly assessed and treated appropriately, so that there is no impediment in terms of the relationship and the performance of services which benefit the Company and its members.

EMPLOYEE PARTICIPATION

The Company has no employees, staff responsible for the Company's affairs are employed by Severn Waste Services Limited. Senior staff in Severn are responsible for Mercia Waste Management Limited's affairs.

FUTURE DEVELOPMENTS

Results for the year were extremely satisfactory and the Group will now continue to benefit from its strong contractual base with the two Councils for the maximum period available under the 1998 Contract. Management expects the volume of trade for 2023 to continue at similar levels to those experienced in 2022. Whilst the profitability seen in 2022 is unlikely to be maintained as electricity prices and other one off factors cease to apply, the directors believe that the extension terms provide a strong basis for the Company to continue to work successfully with the Councils and to meet the terms of the revised loan agreement.

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

DocuSigned by:
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V Orts Llopis - Director

Date: 28 June 2023

The directors present their Annual Report and audited Group and Company financial statements for the year ended 31 December 2022. The Group and Company's principal activities, review of the business, results and dividends, future developments and principal risks and uncertainties are presented in the Strategic Report and form part of this report by cross reference. There were no material events after the balance sheet date.

DIRECTORS

The directors who served during the year and thereafter were as follows:

FCC Environment Services (UK) Limited
Urbaser Limited
V F Orts Llopis
J Peiro Balaguer

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow and credit risk
The Group's largest customers are local authorities which minimises the risk of significant bad debts. Customer payments are monitored taking into account current market conditions. The Group has a set of objectives in respect of the management of cash which encompass the requirements of the loan facility. Interest bearing liabilities are held at fixed rates.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses long-term debt finance. The Group does not use derivative financial instruments.

DONATIONS
The Company and the Group made no political or charitable donations during the year (2021 – none).

BUSINESS RELATIONSHIPS (Including Customers and Suppliers)
Please refer to the Strategic Report page 5 – Statement in respect of S172 (1) of the Companies Act 2006.

GOING CONCERN
On 30th December 2022, the date that the extension in respect of the Contract with Councils was agreed and the contract was extended to 11 January 2029, the Group signed a revised Senior Term Loan Facilities Agreement with both the County of Herefordshire District Council and Worcestershire County Council. Further details relating to the Facilities Agreement are noted within note 13 to the financial statements. The Group continued to comply with the requirements of the existing facility during 2022.

The Group's forecasts and projections, taking account expected changes in trading performance resulting from the extension, show that the Group is able to operate within its current loan facility. The Company has continued to trade profitably and generate cash on a timely basis.

The directors have reviewed the Company's current cash position, financing and cash flow forecasts and projections for the period ended 30 June 2024, which show that the Company expects to be able to continue to meet its liabilities as they fall due for the next 12 months from the date of the approval of these financial statements. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence and thus they continue to adopt the going concern basis in preparing the financial statements.

ENERGY AND CARBON REPORTING

Mercia Waste Management's reports under Streamlined Energy and Carbon Reporting include the environmental impact of its operator, Severn Waste Services, over which it has full financial control.

The table below shows the details for the current reporting period, and the prior year comparisons. The company has identified that its most significant operational Greenhouse gas emissions arose from the purchase of electricity, and fuel used for transportation purposes. Over the reporting period, the company has continued a programme of replacing standard light fittings with LED lighting, and to make use of video conferencing where appropriate. Some energy was purchased from renewable sources during the year. In April 2022 legislative changes in respect of red diesel (gas oil) came into force, and the Company switched to using white diesel for its mobile plant and heating oil at its EfW Plant from this point. Additionally, there was a reduction in the volume of fuel used at the EfW Plant, as 2021 had seen higher than usual usage due to maintenance works. Business travel has been higher in 2022 mainly due to there being a higher proportion of face-to-face training courses and meetings as Covid restrictions have eased.

GHG emissions and energy usage	Reporting Year 2022	Reporting Year 2021
Mercia Waste Management Ltd		
Energy Consumption – electricity (kWh)	2,703,698	2,185,336
Energy Consumption – gas (kWh)	473,468	535,275
Energy Consumption – diesel (kWh)	14,402,899	10,510,436
Energy Consumption – gas oil (kWh)	884,957	8,897,403
Energy Consumption – heating oil (kWh)	1,415,069	0
Emissions from activities which the Company owns or controls including combustion of fuel and operation of facilities tCO_2e (Scope 1)	227	2,294
Emissions from combustion of gas tCO_2e (Scope 1)	91	113
Emissions from combustion of fuel for transport purposes tCO_2e (Scope 1)	3,823	2,489
Emissions from purchase of electricity for own use tCO_2e (Scope 2)	523	464
Emissions from business travel where company is responsible for purchasing the fuel tCO_2e (Scope 3)	12	9
Total gross (scope 1,2 & 3) tCO_2e	**4,676**	**5,369**
Intensity Ratio: Total Gross / tonnes waste processed	**0.01096**	**0.01153**

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AUDITOR

Each of the persons who is a director at the date of approval of this report confirms 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

As expected, Deloitte LLP resigned following the approval of the 2021 Financial Statements, and the audit has transferred to the auditor of the two parent companies, Ernst & Young. The directors would like to thank Deloitte LLP for their diligent work and their assistance in ensuring a smooth transition.

Approved by the Board of Directors and signed on behalf of the Board.

DocuSigned by:

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V Orts Llopis - Director

Date: 28 June 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Group and Parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCIA WASTE MANAGEMENT LIMITED
For the year ended 31 December 2022

Opinion

We have audited the financial statements of Mercia Waste Management Limited ('the parent company') and its subsidiary (the 'group') for the year ended 31 December 2022 which comprise the group consolidated profit and loss account, the group consolidated and parent company balance sheet, group consolidated statement of cash flows, the group consolidated and parent statement of changes in equity and the related notes 1 to 21, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's 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 group 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 group and parent company's ability to continue as a going concern for a period from when the financial statements are authorised for issue through until 30 June 2024.

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

Other information

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

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety.
- We understood how Mercia Waste Management Limited is complying with those frameworks by making inquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions. We performed procedures, including reading minutes of the board meetings and making enquiries with the management for any correspondence of non-compliance with the tax authorities, and noted no significant issues. We performed journal entry testing to

ensure that there are no unusual legal or penalty expenses incurred during the period and to ensure that the management is in compliance with the applicable framework.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a fraud risk of management override associated with revenue recognition, and in particular the manual revenue journals around the period end. In relation to management override we used data analytics to sample from the entire population of journals, including manual journals to revenue, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and agree to source documentation. We selected a sample of revenue transactions recorded before the period end and obtained documentation to verify the revenue recognition criteria had been met, we obtained documentation to verify that revenue adjustments had been recorded in the appropriate period.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiry of management and those charged with governance with no indication of non-compliance identified.

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

Use of our report

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

DocuSigned by:
Ernst & Young LLP
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Jane Barwell (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP (Statutory Auditor)
Bristol
United Kingdom
28 June 2023

MERCIA WASTE MANAGEMENT LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2022

	Notes	2022 £	2021 £
TURNOVER	3	84,971,827	69,958,694
Cost of sales		(51,518,153)	(48,696,096)
GROSS PROFIT		**33,453,674**	**21,262,598**
Administrative expenses		(511,117)	(40,278)
OPERATING PROFIT		**32,942,557**	**21,222,320**
Finance costs (net)	6	(8,421,667)	(8,956,723)
PROFT BEFORE TAXATION	5	**24,520,890**	**12,265,597**
Tax on profit	7	(4,568,216)	(4,204,377)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		**19,952,674**	**8,061,220**

There are no recognised gains or losses in either year other than the profit for that financial year shown above. Accordingly, no separate group statement of other comprehensive income has been presented.

All activity arose from continuing operations.

The accompanying notes are an integral part of this Profit and Loss Account.

MERCIA WASTE MANAGEMENT LIMITED
CONSOLIDATED BALANCE SHEET
As at 31 December 2022

	Notes	2022 £	2021 £
FIXED ASSETS			
Tangible assets	8	139,087,548	145,422,078
CURRENT ASSETS			
Stocks	10	1,015,484	-
Debtors: amounts falling due within one year	11	10,851,992	11,298,392
Cash at bank and in hand		37,178,781	34,008,322
		49,046,257	45,306,714
CREDITORS			
Amounts falling due within one year	12	(17,826,815)	(28,983,855)
NET CURRENT ASSETS		31,219,442	16,322,859
TOTAL ASSETS LESS CURRENT LIABILITIES		170,306,990	161,744,937
CREDITORS			
Amounts falling due after more than one year	13	(122,369,046)	(128,667,673)
PROVISIONS FOR LIABILITIES AND CHARGES	14,15	(15,067,193)	(16,101,187)
NET ASSETS		**32,870,751**	**16,976,077**
CAPITAL AND RESERVES			
Called-up share capital	16	100,000	100,000
Profit and loss account		32,770,751	16,876,077
EQUITY SHAREHOLDERS' FUNDS		**32,870,751**	**16,976,077**

The financial statements of Mercia Waste Management Limited, company registration number 03525188, were approved by the Board of Directors and authorised for issue on 28 June 2023 and were signed on its behalf by:

DocuSigned by:

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V F Orts Llopis – Director

MERCIA WASTE MANAGEMENT LTD
COMPANY BALANCE SHEET
As at 31 December 2022

	Note	2022 £	2021 £
FIXED ASSETS			
Tangible assets	8	139,087,548	145,422,078
Other Financial Assets	9	641,320	641,320
		139,728,868	146,063,398
CURRENT ASSETS			
Stocks	10	1,015,484	-
Debtors: amounts falling due within one year	11	10,851,992	12,963,380
Cash at bank and in hand		37,173,987	34,003,537
		49,041,463	46,966,917
CREDITORS			
Amounts falling due within one year	12	(17,786,433)	(28,943,501)
NET CURRENT ASSETS		31,255,030	18,023,416
TOTAL ASSETS LESS CURRENT LIABILITIES		170,983,898	164,086,814
CREDITORS			
Amounts falling due after more than one year	13	(125,091,524)	(133,095,493)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(15,067,193)	(16,101,187)
NET ASSETS		**30,825,181**	**14,890,134**
CAPITAL AND RESERVES			
Called-up share capital	16	100,000	100,000
Profit and loss account		30,725,181	14,790,134
EQUITY SHAREHOLDERS' FUNDS		**30,825,181**	**14,890,134**

The profit of the Parent Company for the year ended 31 December 2022 was £19,993,047 (2021: £8,101,715). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of other comprehensive income is presented in respect of the Parent Company.
The financial statements of Mercia Waste Management Limited, company registration number 03525188, were approved by the Board of Directors and authorised for issue on 28 June 2023 and were signed on its behalf by:

DocuSigned by:
D03248535688843B...
....
V F Orts Llopis – Director

MERCIA WASTE MANAGEMENT LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Called-up share capital £	Profit and loss account £	Total £
Balance at 1 January 2021	100,000	23,428,857	23,528,857
Profit for the financial year	-	8,061,220	8,061,220
Dividends paid	-	(14,614,000)	(14,614,000)
Balance at 31 December 2021	100,000	16,876,077	16,976,077
Profit for the financial year	-	19,952,674	19,952,674
Dividends paid	-	(4,058,000)	(4,058,000)
Balance at 31 December 2022	100,000	32,770,751	32,870,751

MERCIA WASTE MANAGEMENT LTD
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Called-up share capital £	Profit and loss account £	Total £
Balance at 1 January 2021	100,000	21,302,419	21,402,419
Profit for the financial year	-	8,101,715	8,101,715
Dividends paid	-	(14,614,000)	(14,614,000)
Balance at 31 December 2021	100,000	14,790,134	14,890,134
Profit for the financial year	-	19,993,047	19,993,047
Dividends paid	-	(4,058,000)	(4,058,000)
Balance at 31 December 2022	100,000	30,725,181	30,825,181

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MERCIA WASTE MANAGEMENT LTD
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2022

	Notes	2022 £	2021 £
Net cash inflows from operating activities	**17**	19,347,031	10,163,711
Cash flows from investing activities			
Proceeds from the sale of equipment		9,090	64,750
Purchase of equipment		(468,239)	(745,624)
Interest received		116,227	93,183
Net Cash flows used in investing activities		(342,922)	(587,691)
Cash flows from financing activities			
Repayment of loan facilities		(7,442,139)	(7,143,447)
Interest paid		(8,391,511)	(8,892,438)
Net cash flows used in financing activities		(15,833,650)	(16,035,885)
Net increase/(decrease) in cash		**3,170,459**	**(6,459,865)**
Cash at beginning of year		34,008,322	40,468,187
Cash at end of year		**37,178,781**	**34,008,322**

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1. ACCOUNTING POLICIES

Basis of preparing the financial statements
The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

a) General information and basis of accounting
Mercia Waste Management Limited is a private company limited by shares, registered in England and Wales and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 3 to 6.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Mercia Waste Management Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Mercia Waste Management Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken by the entity in relation to presentation of a cash flow statement, intra-group and related party transactions and remuneration of key management personnel.

b) Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The Directors' Report also describes the financial position of the Group; the Group's objectives, policies and processes for managing its capital; and the Group's policies to mitigate its principal risks and uncertainties. On 30th December 2022, the date that the extension of the Contract with the Councils was agreed and extended to 11 January 2029. The Group signed a revised Senior Term Loan Facilities Agreement with both the County of Herefordshire District Council and Worcestershire County Council. Further details relating to the Facilities Agreement are noted within note 13 to the financial statements. The Group continued to comply with the requirements of the facility during 2022. These facilities provide for the group's working capital requirements along with its capital expenditure obligations.

The Group's forecasts and projections for the period ended 30 June 2024, taking account of potential changes in trading performance, show that the Group should be able to operate within its current loan facility. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the period ended 30 June 2024. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year. Beacon Waste Limited, the Company's wholly-owned subsidiary, is accounted for at cost less impairment in the Company financial statements.
Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

d) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.
Depreciation is provided on tangible fixed assets, using the straight line depreciation method, at rates calculated to write off the cost of each asset over their expected useful lives as follows:

Freehold buildings	22 years
Long leasehold land	25 years
Freehold land landfill site	As utilised
Cell preparation and Restoration assets	As utilised
Short leasehold land and buildings	7 - 23 years
Long leasehold buildings	25 years
Plant; machinery, vehicles, fixtures, fittings and equipment	3 - 15 years

No depreciation is provided on freehold land and assets under construction. Depreciation commences when substantially all the activities that are necessary to get the asset ready for use are complete. Leasehold land is depreciated over the term of the contract to which it is held.
Residual value is calculated on prices prevailing at the date of acquisition.

Following the signing of the Extension Agreement on 30th December 2022 asset lives were reviewed and where applicable the useful life of assets was amended to reflect an increased useful life.

In respect of the EfW Plant, the residual value is determined by reference to a contracted payment, to be received on termination of the Waste Management Service Contract in January 2029 when the ownership of the Plant will transfer to the Councils.

The landfill site is depreciated over its useful life by reference to the volume of waste deposited during the year the directors' assessment of the total capacity of the site and other factors relevant to the likely closure date of the site

Cell preparation and restoration costs are capitalised and depreciated on the basis of waste deposited.

e) Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

f) Stocks

Stocks consists wholly of consumables and is stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. Provision is made for obsolete, slow moving or defective items where appropriate.

g) Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

h) Revenue recognition

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT. Turnover from the supply of services represents the value of services provided under contracts to the extent there is a right to consideration and is recorded at the value of the consideration due and on the date on which the service has been provided.

i) Cost of Sales

All costs charged by the operator are treated as Cost of Sales.

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j) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by 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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

k) Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to turnover or to assets. Grants relating to turnover are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

l) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments
Equity instruments issued by the Group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

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

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

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

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

n) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The following three policies relate to provisions held within the Group.

Landfill cell restoration
Full provision is made for the anticipated costs of landfill cell restoration. The liability is calculated on a cell by cell basis and is capitalised on commencement of tipping in each cell. The liability is an estimate based on the physical requirements of the restoration for each particular cell and the directors' knowledge of the relevant costs. As cell restoration takes place within a year or two of the cells being filled with waste an adjustment for the change in value of the liability due to inflation is not considered to be material. Depreciation takes place over the useful life of each cell. Restoration costs crystallise when a cell reaches full capacity and is subsequently capped and restored.

Decommissioning
Provision is made for the unavoidable costs of decommissioning certain assets which will crystallise on completion of the landfill site. The value is capitalised and then depreciated over the useful life of the site.

Aftercare
Provision is made over the life of the landfill site for the anticipated future costs of managing the landfill site which will crystallise after closure. The provision increases in line with the quantity of waste deposited in the year, since the liabilities in relation to these costs increase as waste is deposited. Anticipated future costs have been discounted at a rate of 2% and the unwinding of the discount is disclosed within interest payable and similar charges.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

No areas of critical judgement have been identified in respect of the Company's financial statements.

Key sources of estimation uncertainty

Landfill liabilities

The Group operates a large landfill facility in compliance with relevant operational permits, licences and regulations. Management includes provisions in the financial statements for the future cost of decommissioning, restoration and aftercare in respect of its landfill site (see note 14). Each of these provisions is calculated in accordance with the relevant legal and practical requirements.

Inherent in calculating the sum to be recognised in the accounts is the need to make an estimate of all costs known to be relevant to the particular provision. Knowledge and experience of these types of operations and their resultant costs is accessed via the Group and its shareholders and is utilised in the original and periodic review. In the case of restoration, estimates are viewed against regular work undertaken to restore the landfill cells as the site develops. However, in the case of the aftercare provision it is more difficult to predict the requirements of the provision until the site closes and the aftercare period is complete, a total period of more than sixty years. A discount rate of 2% is applied to the estimated future cash flows. This is in recognition of the long term nature of the aftercare liability and to acknowledge the time value of money. The provision is based on currently known technologies and has been reviewed by a related company who operate a number of landfill sites and was developed in conjunction with a third party consultant engineer.

The directors are monitoring landfill liabilities in the light of on site recycling of Incinerator Bottom Ash which is reducing the amount of void consumed and thus extending cell life.

3. TURNOVER

Turnover relates to the principal activities and arose entirely within the UK. An analysis of the Group's turnover is as follows:

	2022 £	2021 £
Waste management services (including disposal)	43,682,099	42,444,639
Recycling, compost, electricity and other sales	41,289,728	27,514,055
	84,971,827	69,958,694

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration for their services to the Group during either year.

Other than the directors, the Group has no employees. The Group's business activities are managed by staff employed by Severn Waste Services Ltd.

5. PROFIT BEFORE TAXATION

The operating profit is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of tangible assets	6,797,929	8,869,462
(Profit)/loss on disposal	(4,250)	(24,689)
Amortisation of Government Grant income	(179,459)	(631,355)

The analysis of auditor's remuneration is as follows:

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of Company's and Group's annual financial statements	59,000	44,500
Fees payable to the Company's auditor for the audit of the Company's subsidiary	5,500	2,300
Total audit fees	64,500	46,800

No non-audit fees were incurred by the Company and Group either in the current period or previous period.

6. FINANCE COSTS (NET)

	2022 £	2021 £
Interest receivable and similar income	133,626	93,183
Interest payable and similar expenses	(8,391,511)	(8,892,438)
Unwinding discount on provisions	(163,782)	(157,468)
	(8,421,667)	(8,956,723)

7. TAXATION

Analysis of tax charge

The tax charge on the profit for the year was as follows:

	2022 £	2021 £
Current tax:		
UK corporation tax	5,917,653	3,930,934
Adjustments in respect of prior years	6,561	6,366,653
Total current tax	5,924,214	10,297,587
Deferred tax		
Organisation and reversal of timing difference	(1,360,911)	(1,727,872)
Adjustments in respect of previous years	4,913	(6,383,734)
Effect of tax rate change on opening balance	-	2,018,396
Total deferred tax	(1,355,998)	(6,093,210)
Total tax on profit	4,568,216	4,204,377

7. TAXATION (continued)

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the UK.

	2022 £	2021 £
Profit before tax	24,520,890	12,265,597
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	4,658,969	2,330,463
Effects of:		
Expenses not deductible for tax purposes	-	428
Fixed assets difference	224,391	286,861
Effects of changes in tax rates	(326,618)	1,603,706
Adjustments to tax charge in respect of prior periods – deferred	4,913	(6,383,734)
Adjustments to tax charge in respect of prior periods-current	6,561	6,366,653
Total tax charge	4,568,216	4,204,377

Finance Act 2021 which was substantively enacted on 24 May 2021 included provisions to increase the rate of UK corporation tax from 19% to 25% effective from 1 April 2023. In valuing the deferred tax balances at each year end a combination of 19% and 25% have been used based on the expected periods of reversals.

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8. TANGIBLE FIXED ASSETS

Group and Company

	Freehold land and buildings	Long leasehold land	Freehold land landfill site	Cell preparation assets	Short leasehold land and buildings	Long leasehold buildings	Plant, machinery, vehicles, fixtures, fittings and equipment	Assets under construction	Total
	£	£	£	£	£	£	£	£	£
COST									
At 1 January 2022	95,776	232,252	3,078,046	10,917,179	75,666,828	820,239	130,070,592	84,457	220,965,369
Transfers	-	-	-	-	-	-	58,807	(58,807)	-
Additions	-	-	-	-	-	-	465,587	2,652	468,239
Disposals	-	-	-	-	-	-	(55,611)	-	(55,611)
At 31 December 2022	95,776	232,252	3,078,046	10,917,179	75,666,828	820,239	130,539,375	28,302	221,377,997
DEPRECIATION									
At 1 January 2022	20,472	202,284	2,479,460	10,229,318	27,788,331	747,105	34,076,321		75,543,291
Charge for year	-	4,282	44,069	130,255	1,871,932	10,118	4,737,273	-	6,797,929
Eliminated on disposals	-	-	-	-	-	-	(50,771)	-	(50,771)
At 31 December 2022	20,472	206,566	2,523,529	10,359,573	29,660,263	757,223	38,762,823	-	82,290,449
NET BOOK VALUE									
At 31 December 2022	75,304	25,686	554,517	557,606	46,006,565	63,016	91,776,552	28,302	139,087,548
At 31 December 2021	75,304	29,968	598,586	687,861	47,878,497	73,134	95,994,271	84,457	145,422,078

Included in freehold land and buildings is £75,304 (2021 - £75,304) that has not been depreciated. Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £19,912,401 (2021 - £19,912,401). The Company has agreed to sell the EfW Plant to the Councils on the expiry of the Waste Management Service Contract (WMSC) in January 2029 and in return the Company will receive a payment of cash. The transaction which was entered into in 2014 and was varied in 2022 accordingly defines the Company's policy for depreciating the asset.

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9. OTHER FINANCIAL ASSETS

Company	Subsidiary Undertaking £
COST	
At 1 January 2022 and 31 December 2022	641,320
NET BOOK VALUE	
At 31 December 2022	641,320
At 31 December 2021	641,320

The Parent Company owns 100% of the ordinary share capital of Beacon Waste Limited, a non-trading company registered in England and Wales whose registered and principal business address is the same as that of Mercia Waste Management Limited included in page 3.

10. STOCKS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Stocks	1,015,484	-	1,015,484	-

There is no material difference between the Balance sheet value of stocks and their replacement cost.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	10,291,757	9,729,450	10,291,757	9,729,450
Amounts owed by subsidiary undertakings	-	-	-	1,664,988
Amounts owed by parent undertakings	17,365	18,187	17,365	18,187
Other debtors	542,870	1,550,108	542,870	1,550,108
Prepayments	-	647	-	647
	10,851,992	11,298,392	10,851,992	12,963,380

Amounts owed by subsidiary and parent undertakings are non-interest bearing and repayable on demand. Following the contract negotiations that were concluded in December 2022, the Company has made the decision to net off balances due from and to its Subsidiary Company in December 2022

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Borrowings (see note 13)	6,571,065	7,442,139	6,571,065	7,442,139
Trade Creditors	1,989,214	10,535,589	1,989,214	10,535,589
Amounts owed to related parties (note 21)	3,589,565	4,883,816	3,589,565	4,883,816
Corporation Tax	4,408,213	2,640,784	4,367,831	2,600,430
Other Creditors	4,037	868,189	4,037	868,189
Accruals	1,085,264	1,981,983	1,085,264	1,981,983
Government Grants	179,458	631,355	179,458	631,355
	17,826,815	28,983,855	17,786,433	28,943,501

Amounts owed to group undertakings and related parties are unsecured, non-interest bearing and repayable on demand.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Other loans	121,478,100	128,049,165	121,478,100	128,049,165
Amounts owed to group undertakings	-	-	2,722,478	4,427,820
Deferred government grants	890,946	618,508	890,946	618,508
	122,369,046	128,667,673	125,091,524	133,095,493

Borrowings are repayable as follows:

	2022	2021	2022	2021
	£	£	£	£
Loans				
Due within one year (note 12)	6,571,065	7,442,139	6,571,065	7,442,139
Between two and five years	15,390,567	128,049,165	15,390,567	128,049,165
After five years	106,087,533	-	106,087,533	-
	128,049,165	135,491,304	128,049,165	135,491,304
Government Grants				
Due within one year (note 12)	179,458	631,355	179,458	631,355
Between two and five years	712,756	618,508	712,756	618,508
After five years	178,190	-	178,190	-
	1,070,404	1,249,863	1,070,404	1,249,863

Government grants have been received from the Councils in prior years for certain capital projects which enhance the provision of waste management services across the two counties served by Mercia Waste Management Ltd.

	2022	2021	2022	2021
	£	£	£	£
Total Borrowings				
Due within one year	6,750,523	8,073,494	6,750,523	8,073,494
Between one and five years	16,103,323	128,667,673	16,103,323	128,667,673
After five years	106,265,723	-	106,265,723	-
	129,119,569	136,741,167	129,119,569	136,741,167

The loan facility was split into two components; Facility A, £35m, was repayable in instalments between June 2017 and December 2022, and the final instalments were paid in June and December 2022. Facility B, £128.1m, is repayable in instalments starting in June 2023.
Interest of 5.73 - 6.31% is calculated daily and rolled up. The interest is repayable alongside the principal loan capital repayments.

The facility is secured via a suite of rights granted to the lender via the Senior Term Loan Facility Agreement (as varied in December 2022) and Waste Management Services 1998 Contract as varied in 2014 and extended in 2022. The net book value of the EnviRecover EfW Plant is £133,096,121 at 31 December 2022 (2021 -£ 137,567,256).

Following the contract negotiations that were concluded in December 2022, the Company has made the decision to net off balances due from and to its Subsidiary Company in December 2022

Government grants were received for capital costs incurred in the set up of waste sites as well as an amount towards the cost of the EfW Plant. Grants are amortised over the remaining life of the council contract, which expires in January 2029.

14. PROVISION FOR LIABILITIES

Group and Company	De-commissioning provision	Restoration provision	Aftercare provision	Deferred Taxation (Note 15)	Total
	£	£	£	£	£
At 1 January 2022	492,840	737,155	8,189,081	6,682,111	16,101,187
Charged to profit and loss account	-	-	158,222	(1,355,998)	(1,197,776)
Adjustment arising from unwinding of discount	-	-	163,782	-	163,782
	492,840	737,155	8,511,085	5,326,113	15,067,193

Please refer to the accounting policies for further information regarding the nature of the de-commissioning, restoration and aftercare provisions.

15. DEFERRED TAXATION

	2022	2021
	£	£
Group and company		
Accelerated capital allowances	8,130,162	9,491,073
Short term timing differences	(307,499)	(312,411)
Tax losses carried forward and other deductions	(2,496,550)	(2,496,551)
	5,326,113	6,682,111

Deferred tax assets recoverable after one year of £2,804,049 (2021 - £2,808,962) and deferred tax liabilities payable after more than one year of £8,130,162 (2021 - £9,491,073) are offset as the Group has a legally enforceable right to do so and they relate to income taxes levied by the same taxation authority.
The timing difference on Capital Allowances will crystallise at expiry of the Contract when the Company is in receipt of an agreed sum for the Energy from Waste Plant.

16. CALLED UP SHARE CAPITAL AND RESERVES

Allotted, issued and fully paid

Number:	Class:	Nominal Value	2022	2021
			£	£
100,000	Ordinary Shares	£1	100,000	100,000

Dividends paid in the year to shareholders were £4,058,000 (2021: £14,614,000).
Profit and loss account represents cumulative profit and loss, net of dividend paid and other adjustments.

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17. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITY

	2022	2021
	£	£
Operating profit	32,942,557	21,222,320
Depreciation charges	6,797,929	8,869,462
(Profit) on disposal of fixed assets	(4,250)	(24,689)
Amortisation of Government grant income	(179,459)	(631,355)
Operating cash flow before movement in working capital	39,556,777	29,435,738
(Increase) in stock	(1,015,484)	-
Decrease/(increase) in debtors	463,799	(2,921,721)
(Decrease)/increase in creditors	(9,813,687)	4,036,574
Increase in provisions	158,222	157,682
	29,349,627	30,708,273
Corporation tax paid	(5,944,596)	(5,930,562)
Dividends paid	(4,058,000)	(14,614,000)
Cash generated from operations	19,347,031	10,163,711

18. FINANCIAL INSTRUMENTS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Financial assets (note 11)				
Measured at amortised cost:				
Trade and other debtors	10,834,627	11,280,205	12,539,970	11,280,205
Amounts owed by parent undertakings	17,365	18,187	17,365	1,683,175
	10,851,992	11,298,392	12,557,335	12,963,380
Financial liabilities				
Measured at amortised cost:				
Loans payables (note 13)	129,119,569	136,741,167	129,119,569	136,741,167
Measured at undiscounted amount payable				
Trade and other creditors (note 12)	7,486,727	16,026,545	7,446,345	15,986,191
Amounts owed to group undertaking (note 12)	-	-	2,722,478	4,427,820
Amounts owed to related parties (note 12)	3,589,565	4,883,816	3,589,565	4,883,816
	140,195,861	157,651,528	142,877,957	162,038,994

The Group and Company's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Interest income and expense				
Total interest expenses for financial liabilities at amortised cost	(8,391,511)	(8,892,438)	(8,391,511)	(8,892,438)
Total interest income for financial assets at amortised cost	133,626	93,183	133,626	93,183

19. FINANCIAL COMMITMENTS

At 31 December 2022, contracted capital commitments in the Group and in the Company amounted to £665,946 (2021 - £662,565).
Capital commitments relate primarily to final stage payments due on completed capital projects.

20. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party as the Group and Company are jointly owned by FCC Recycling (UK) Limited with registered office of Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG and Urbaser Limited with registered office of First Floor Westmoreland House, 80 - 86 Bath Road, Cheltenham, GL53 7JT.
During the year the shares formerly owned by FCC Environment Services (UK) Limited were transferred to FCC Recycling (UK) Limited.

21. RELATED PARTY TRANSACTIONS

Trading transactions

The Group and Company previously appointed Severn Waste Services Limited, a fellow company under common control of the two joint ownership parties, to operate all of the Group's and Company's planned and existing waste management installations under the terms of an Operating and Maintenance Agreement. Severn Waste Services Limited is responsible for performing the obligations of the Group and Company, and received a fee of £39,058,831 for this in the year (2021 - £36,729,642).
The trading balance owed to Severn Waste Services Limited by the Group and Company at 31 December 2022 was £3,589,565 (2021 - £3,096,005).
The trading balance owed to Urbaser Limited by the Group and Company at 31 December 2022 was £nil (2021 - £1,787,811).
FCC Recycling (UK) Limited and Urbaser Limited are the joint venture shareholders of Mercia Waste Management Limited.
The Company invoiced waste disposal charges to FCC Environment Services (UK) Limited of £61,554 in the year (2021 - £49,461). The amount owed to the Company by FCC Environment Services (UK) Limited at 31 December 2022 was £10,885 (2021 - £18,187) and £6,480 (2021 - £5,613) was included in accrued income at the year end in relation to revenue from FCC Environment Services (UK) Limited. The Company invoiced waste disposal charges to Urbaser Limited of £nil in the year (2021 - £nil).

Other related party transactions

The key management personnel are employed to work on behalf of Severn Waste Services Limited and Mercia Waste Management Limited; they are remunerated by the former.