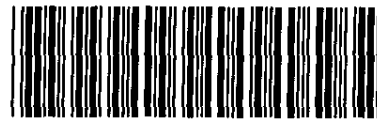




Viridor EFW (Runcorn) Limited
Annual Report and Financial Statements
for the Year Ended 31 March 2022

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Viridor EFW (Runcorn) Limited

Contents

Strategic Report	1 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	5
Income Statement	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Unaudited Financial Statements	11 to 35

Viridor EFW (Runcorn) Limited

Strategic Report for the Year Ended 31 March 2022

The directors present their strategic report for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The principal activity of the company is the operation of an Energy Recovery Facility (ERF) at Runcorn (Runcorn II ERF).

BUSINESS REVIEW

Financial results

Revenue increased by £12,928,000 from last year to £69,961,000 (2021: £57,033,000)

Operating profit before interest, tax and depreciation, was £45,453,000 (2021: £31,648,000). The operating margin increased to 65% (2021: 55%).

Net finance costs were £53,772,000 (2021: £9,971,000).

The Company's taxation position results in a charge for current tax of £4,940,000 (2021: £2,106,000) and a credit for deferred tax of £4,310,000 (2021: charge of £782,000).

Investment

Capital expenditure in the year totalled £43,000 (2021: £4,835,000). The Company is committed to ensuring the facilities and equipment used in its operations continue to meet the highest environmental standards.

Financing

Significant funding facilities are in place to cover both medium and long-term requirements, including finance leasing and loans from the parent companies and or fellow subsidiaries. The Directors confirm that the Company can meet its short-term requirements from existing facilities without breaching covenants or other borrowing restrictions.

Dividends and reserves

No interim dividends were paid in the year (2021: 4,000,000). The Directors do not recommend the payment of a final dividend (2021: nil).

The transfer to retained earnings for the year was a loss of £18,037,000 (2021: profit of £12,607,000).

The balance in retained earnings at 31 March 2022 is an accumulated loss of £4,678,000 (2021: accumulated profit of £13,359,000).

Principle risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Viridor Energy (Investments One) Limited Group and are not separately managed. The principal risks and uncertainties of Viridor Energy (Investments One) Limited, which include those of the Company, are discussed on pages 6 to 9 of Viridor Energy (Investments One) Limited's Annual Report and Financial Statements, which does not form part of this report.

Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (interest rate risk), liquidity risk and credit risk. Further information on the Company's management of these risks is given in note 3 of these financial statements.

Key performance indicators ('KPI's)

The directors of Viridor Limited manage the Viridor Group's operations on a fully integrated basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Viridor Group's operations, including those of the Company, are discussed on pages 2 to 6 of Viridor Limited's Annual Report and Accounts which does not form part of this Report.

Viridor EFW (Runcorn) Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

Section 172 Statement

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

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

Our strategic objectives are; Leadership in UK waste, Leadership in cost base efficiency and Driving sustainable growth. Our strategic objectives, which are set and monitored through a rolling long-term strategic planning process, ensure we work towards achieving long term growth in a sustainable way. In approving the strategic objectives, we also consider a host of external factors, such as the evolving economic and market conditions. The latest sustainability report for Viridor, which contains information on our performance against the sustainability development goals, is available on our website www.viridor.co.uk.

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

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

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

We demonstrate continued commitment to delivering quality of service, value for money and satisfaction to our customers. We continue to foster key strategic and commercial relationships with our supply chain partners, with a focus on quality and sustainability, and focused delivery across the entire supply chain.

We have open dialogue and transparent engagement with our regulatory bodies, policy makers and other stakeholders who shape our social contract.

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

We are committed to providing educational programmes and community sponsorships and engaging in charity support initiatives and outreach events across our regions of operation. We maintain a proactive and positive relationship with our key environmental regulators.

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

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

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

Decisions of the Board have been discussed, where relevant, at the Board meetings of the ultimate parent company.

Environmental impacts

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

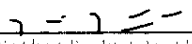
Viridor EFW (Runcorn) Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

FUTURE DEVELOPMENTS

Energy from waste is central to the UK's waste and renewable energy strategies as the long-term, alternative to landfill for disposal of residual waste. The Company intends to take advantage of this growing market.

The Strategic Report was approved by the Board and authorised for issue on 19 December 2022 and signed on its behalf by:


.....

N W Maddock
Director

Viridor EFW (Runcorn) Limited

Directors' Report for the Year Ended 31 March 2022

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

The Directors' Report is prepared in accordance with the provisions of the Companies Act 2006 and regulations made thereunder. It comprises pages 4 to 5 as well as any matters incorporated by reference.

Information regarding Viridor, including events and its progress during the year, events since the year-end and likely future developments is contained in the strategic report set out on pages 1 to 3.

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

Parent company

The Company is a subsidiary of Viridor Energy Limited. During the year, its ultimate parent company was KKR Planets Aggregator LLP.

Directors

The directors, who held office during the year, were as follows:

N W Maddock

K M Bradshaw

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles and the Company has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the Company, the Directors and its Officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Donations

No political donations were made or political expenditure incurred.

Going concern

The financial statements have been prepared on the going concern basis due to the continued financial support of the intermediate parent company, Viridor Energy (Investments One) Limited. The directors of Viridor Energy (Investments One) Limited confirm that it is their intention to support the company in meeting all of its financial obligations as they fall due for a period of at least 12 months from the date of signing the balance sheet.

Employment policies and employee involvement

The Company has no employees (2021: none). Services provided by the Company were undertaken by employees of Viridor Energy Limited (a fellow subsidiary of Viridor Energy (Investments One) Limited, the smallest Group in which these financial statements are consolidated). Policies relating to the training and development in the affairs, policy and performance of the Company can be found in the financial statements of Viridor Energy (Investments One) Limited.

Financial instruments

Details of the Company's financial instruments are provided in note 2 on page 14 and note 12 on page 28.

Financial risk management policy

The Company's financial risk management policy is set out at note 3 on page 18.

Events after the reporting period

Events after the reporting date for the company are discussed in the future developments section of the Strategic report.

Viridor EFW (Runcorn) Limited

Directors' Report for the Year Ended 31 March 2022 (continued)

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information and provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance ; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The Directors' Report was approved by order of the Board on 19 December 2022 and signed on its behalf by:

Lyndi Hughes

Lyndi Hughes, Director, 19 December 2022 14:14 GMT

L. M Hughes

Company secretary

Viridor EFW (Runcorn) Limited

Income Statement for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	69,961	57,033
Employment costs	4	(2,531)	(2,662)
Raw materials and consumables used	4	(7,042)	(5,010)
Other expenses	4	<u>(14,935)</u>	<u>(17,713)</u>
Profit before interest, tax, depreciation, amortisation and dividends		45,453	31,648
Depreciation and amortisation expense	4	<u>(7,088)</u>	<u>(6,182)</u>
Operating profit		<u>38,365</u>	<u>25,466</u>
Finance income		72	92
Finance costs		<u>(55,844)</u>	<u>(10,063)</u>
Net finance cost	5	<u>(55,772)</u>	<u>(9,971)</u>
(Loss)/profit before tax		(17,407)	15,495
Taxation charge	6	<u>(630)</u>	<u>(2,888)</u>
(Loss)/profit for the year		<u>(18,037)</u>	<u>12,607</u>

Viridor EFW (Runcorn) Limited**Statement of Comprehensive Income for the Year Ended 31 March 2022**

	2022	2021
	£ 000	£ 000
(Loss)/profit for the year	<u>(18,037)</u>	<u>12,607</u>
Total comprehensive (loss)/income for the year	<u>(18,037)</u>	<u>12,607</u>

Viridor EFW (Runcorn) Limited**(Registration number: 06864784)****Statement of Financial Position as at 31 March 2022**

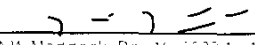
	Note	31 March 2022 £ 000	31 March 2021 £ 000
Assets			
Non-current assets			
Property, plant and equipment	9	198,677	205,370
Right of use assets	10	5,417	5,261
		<u>204,094</u>	<u>210,631</u>
Current assets			
Inventories	13	10,475	8,201
Trade and other receivables	14	56,205	32,825
Cash and cash equivalents	15	-	131
		<u>66,680</u>	<u>41,157</u>
Liabilities			
Current liabilities			
Trade and other payables	16	(16,066)	(11,549)
Loans and borrowings	17	(225)	(11,281)
Current tax liability		(7,046)	(2,106)
Provisions	18	(2,300)	-
Derivative financial instruments	11	(29,559)	-
		<u>(55,196)</u>	<u>(24,936)</u>
Non-current liabilities			
Loans and borrowings	17	(190,608)	(195,607)
Provisions	18	(100)	(100)
Deferred tax liabilities	6	(13,131)	(17,441)
Derivative financial instruments	11	(16,443)	(371)
		<u>(220,282)</u>	<u>(213,519)</u>
NET (LIABILITIES)/ASSETS		<u>(4,704)</u>	<u>13,333</u>
Equity			
Other reserves		(26)	(26)
Retained earnings		<u>(4,678)</u>	<u>13,359</u>
TOTAL EQUITY		<u>(4,704)</u>	<u>13,333</u>

For the financial year ending 31 March 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 19 December 2022 and signed on its behalf by:


N W Maddock, 19 Dec 2022 14:14 GMT

N W Maddock
Director

The notes on pages 11 to 35 form an integral part of these financial statements.
Page 8

Viridor EFW (Runcorn) Limited

Statement of Changes in Equity for the Year Ended 31 March 2022

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2020	-	-	4,752	4,752
Profit for the year	-	-	12,607	12,607
Total comprehensive income	-	-	12,607	12,607
Dividends	-	-	(4,000)	(4,000)
Merger adjustment, increase or decrease in equity	-	(26)	-	(26)
At 31 March 2021	-	(26)	13,359	13,333

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2021	-	(26)	13,359	13,333
Loss for the year	-	-	(18,037)	(18,037)
Total comprehensive loss	-	-	(18,037)	(18,037)
At 31 March 2022	-	(26)	(4,678)	(4,704)

Viridor EFW (Runcorn) Limited

Statement of Cash Flows for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(18,037)	12,607
<i>Adjustments to cash flows from non-cash items:</i>			
Depreciation and amortisation	4	7,088	6,182
Loss on disposal of property plant and equipment		-	1
Finance income	5	(72)	(92)
Finance costs	5	55,844	10,063
Taxation charge	6	630	2,888
Trade receivables impairment		47	-
		<u>45,500</u>	<u>31,649</u>
<i>Working capital adjustments:</i>			
Increase in inventories		(2,275)	(1,626)
Increase in trade and other receivables		(13,644)	(13,720)
Increase in trade and other payables		10,161	2,891
Increase in provisions		2,137	263
Cash generated from operations		<u>41,879</u>	<u>19,457</u>
Taxation received		-	10,864
Net cash flow from operating activities		<u>41,879</u>	<u>30,321</u>
Cash flows from investing activities			
Interest received		72	59
Acquisitions of property plant and equipment		(632)	(4,826)
Repayment/(advances) of loans, classified as investing activities		<u>(14,672)</u>	<u>(13,000)</u>
Net cash flows from investing activities		<u>(15,232)</u>	<u>(17,767)</u>
Cash flows from financing activities			
Interest paid		(7,060)	(52)
Settlements of derivative financial instruments		(2,908)	-
Dividends paid		-	(4,000)
Repayment of borrowings		(16,319)	(10,262)
Finance lease principal repayments		<u>(491)</u>	<u>(142)</u>
Net cash flows from financing activities		<u>(26,778)</u>	<u>(14,456)</u>
Net decrease in cash and cash equivalents		(131)	(1,902)
Cash and cash equivalents at 1 April		<u>131</u>	<u>2,033</u>
Cash and cash equivalents at 31 March	15	<u>-</u>	<u>131</u>

The notes on pages 11 to 35 form an integral part of these financial statements.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England.

The address of its registered office is:

Viridor House
Priory Bridge Road
Taunton
Somerset
TA1 1AP
United Kingdom

The nature of the Company's operations include the operation of an Energy Recovery Facility (ERF) at Runcorn (Runcorn II ERF).

These financial statements were authorised for issue by the Board on 19 December 2022.

2 Accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

As noted in the Directors Report, the financial statements have been prepared on a going concern basis.

New standards, interpretations and amendments not yet effective

There were no new standards or interpretations, which were mandatory for the first time in the year beginning 1 April 2021, that had an impact on the net assets or results of the Company.

New standards or interpretations due to be adopted from 1 April 2022 are not expected to have a material impact on the Company's net assets or results. Existing borrowing covenants are not impacted by changes in accounting standards.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Revenue recognition

Recognition

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

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

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

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

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

Energy sales

The Company receives revenue from the sale of electricity from generating assets. Revenue from the sale of electricity from the Company's generating assets is measured based upon metered output delivered at rates specified under contract terms or prevailing market rates. Revenue is recognised at a 'point in time', being the point of distribution to the grid. Typically, invoices are raised monthly with standard payment terms.

Waste management services

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

The Company also delivers other waste management services for which revenue is recognised 'over time' in accordance with contracts with customers. The nature of contracts and/or performance obligations includes management fees to operate local authority recycling centres and energy recovery facilities, multi service contracts including collections and gate fees.

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

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

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

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

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

Recyclate

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

In respect of UK sales, the Company's performance obligation is satisfied at the point of collection by the customer. This is the point in time when an invoice is issued and revenue is recognised. Payment terms are typically end of month following invoice date. Overseas sales are predominantly agreed under a letter of credit. Goods are despatched at the point the letter of credit is accepted by the customers bank. Payment is released when the customer confirms satisfactory receipt of the recyclate. This is the point legal title (i.e. control) passes to the customer and revenue is recognised.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Contract assets and liabilities

A trade receivable is recognised when the Company has an unconditional right to receive consideration in exchange for performance obligations already fulfilled. A contract asset is recognised when the Company has fulfilled some of its performance obligations but has not yet obtained an unconditional right to receive consideration, such as during the construction phase of a service concession agreement, as described above.

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

Grants and contributions

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

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

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

Foreign exchange

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within current borrowings.

Inventories

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

Stocks of fuel and spares are valued at cost, less any provision for obsolescence.

Fair values

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values. In the case of non-current bank loans and other loans, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the company for similar financial instruments.

Provisions

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Defined contribution pension obligation

Costs of the defined contribution pension scheme are charged to the income statement in the year in which they arise. The company has no further payment obligations once the contributions have been paid.

Financial instruments

i) Loans and receivables

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

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

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

ii) Trade receivables

Trade receivables do not carry any interest receivable and are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for expected credit losses (ECLs). The Company performs an impairment analysis at each reporting date to measure the ECLs. The Company does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has an established provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

iii) Trade payables

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

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

iv) Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, principally RPI swaps, to hedge cash flow risks associated with components of long-term contractual terms linked to a quoted index. The company also uses currency forward contracts and energy swaps to hedge cash flow risks associated with forecast transactions with a clearly defined market price risk. Derivative instruments are initially recognised at fair value on the date the derivative contract is entered into and subsequently re-measured at fair value for the reported balance sheet.

The Company also uses intra-group hedging arrangements to pass the risks and rewards of the relevant hedges from Viridor Energy Group Limited (a fellow subsidiary of Viridor Energy (Investments One) Ltd, the smallest Group in which this company's results are consolidated), to the relevant subsidiaries.

The Company generally designates its hedging derivatives as cash flow hedges due to there being a highly probable forecast transaction or change in the cash flows of a recognised asset or liability.

The gain or loss on remeasurement is recognised in the income statement except for cash flow hedges which meet the conditions for hedge accounting, when the portion of the gain or loss on the hedging instrument which is determined to be effective is recognised in other comprehensive income and the ineffective portion in the income statement. The gains or losses deferred in equity in this way are subsequently recognised in the income statement in the same period in which the hedged underlying transaction or firm commitment is recognised in the income statement.

In order to qualify for hedge accounting the Company is required to document, in advance, the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at the end of each reporting period to ensure that the hedge remains highly effective.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity of the hedged item is less than one year. Derivative financial instruments which do not qualify for hedge accounting are classified as a current asset or liability with any change in fair value recognised immediately in the income statement.

v) Receivables due from subsidiary undertakings

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

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

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

Asset class	Depreciation method and rate
Freehold buildings	30-50 years
Energy recovery facilities	25-40 years
Short-term leasehold land and buildings	The shorter of their estimated useful economic lives or the finance lease period.
Fixed and mobile plant, vehicles and computers	3-10 years

Impairment of non-financial assets

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

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

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

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

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Leases

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

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

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

Right-of-use assets

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

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

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date, because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Taxation

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

The Company is part of the Viridor Limited Group for tax purposes and accordingly may use the tax group relief provisions, whereby current tax liabilities can be offset by current tax losses arising in other companies within the same tax group. Payments for group relief are included within the current tax disclosures.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

3 Financial risk review

The financial risk management policies reflect conditions that existed through and at the year ending 31 March 2022.

Financial risk factors

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

The Company receives treasury services from the wider Viridor Group's treasury function which seeks to ensure that sufficient funding is available to meet foreseeable needs, maintain reasonable headroom for contingencies and managing financial risks.

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

Financial instruments, including derivatives, are used, where appropriate, to manage the risks of fluctuations in interest rates, inflation and other financial risks. Companies within the Viridor Group do not engage in speculative activity.

Market Risk

Market risk relates to fluctuations in external market variables such as interest rates, inflation and exchange rates that affect the Company's income or the value of the financial instruments that it holds.

The Company's Market Risk is managed at a consolidated Viridor Group level.

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

For the year ended 31 March 2022, if interest rates on net borrowings had been 0.5% higher/lower with all other variables held constant, post-tax loss for the year would have increased/decreased by £1,191,000 (2021: £836,000).

Liquidity Risk

Liquidity risk is managed at a consolidated Viridor Group level, with facilities that are designed to ensure the Viridor Group (and therefore the Company) has significant available funds for operations, planned expansions and facilities equivalent to at least one year's forecast requirements at all times, with reasonable headroom for contingencies. The Viridor Group's treasury function managed and determined the criteria for the Company's capital requirement.

Contractual undiscounted cash flows were:

	Due within 1 year £000	Due between 1 and 2 years £000	Due between 2 and 5 years £000	Due after 5 years £000	Total £000
31 March 2022					
<i>Non-derivative financial liabilities</i>					
Borrowings excluding lease liabilities	-	19,257	57,770	107,516	184,543
Interest payments on borrowings	5,338	4,781	11,001	7,195	28,315
Finance lease liabilities including interest	225	213	539	5,313	6,290
31 March 2021					
<i>Non-derivative financial liabilities</i>					
Borrowings excluding lease liabilities	11,159	11,159	33,477	145,067	200,862
Interest payments on borrowings	8,912	8,388	22,019	42,202	81,521
Finance lease liabilities including interest	122	253	419	5,232	6,026

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

3 Financial risk review (continued)

Credit Risk

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as exposure to trade customers, including outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of these financial instruments. Further information on the credit risk relating to trade receivables is given in note 14.

Counterparty risk arises from the investment of surplus funds and from the use of derivative financial instruments. The Viridor Group (and therefore the Company) follows a policy for managing such risk which is controlled through credit limits, counterparty approvals and rigorous monitoring procedures. The Company has no other significant concentration of credit risk. The Company's surplus funds are managed by the Viridor Group's treasury function and where sufficient incremental yield is available, are placed in short-term deposits or the overnight money markets. Deposit counterparties must meet minimum criteria based on their short-term credit ratings and therefore be of good credit quality.

Energy Price risk

The Company is exposed to price fluctuations in the energy supply market. It seeks to mitigate this risk with a combination of forward sale contracts, supported by energy derivatives, in line with a Board approved policy. Due to the complex interactions between these different contracts the Company has not designated the energy derivatives as hedging instruments for accounting purposes as at 31 March 2022.

Capital risk management

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

Determination of fair values

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

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

The Company's financial instruments are valued using level 2 measures as analysed in note 12.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

4 Operating profit

Revenue

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

	UK £000	Total £000
Year ended 31 March 2022		
Waste management services	49,060	49,060
Energy	16,313	16,313
Recycle	4,588	4,588
	<u>69,961</u>	<u>69,961</u>
Year ended 31 March 2021		
Waste management services	40,172	40,172
Energy	15,010	15,010
Recycle	1,851	1,851
	<u>57,033</u>	<u>57,033</u>

The Company's country of domicile is the United Kingdom and is the country in which it generates most of its revenue. The Company's non-current assets are all located in the United Kingdom.

Operating costs

	Note	31 March 2022 £000	31 March 2021 £000
Employment costs	7	<u>2,531</u>	<u>2,662</u>
Raw materials and consumables		<u>7,042</u>	<u>5,010</u>
Other operating expenses:			
Profit on disposal of property, plant and equipment		-	1
Short-term and low value lease rentals payable		169	135
Trade receivables impairment		47	-
Power		721	465
Rates		1,229	1,214
Hired and contracted services		7,145	12,280
Other external charges		<u>5,624</u>	<u>3,618</u>
		<u>14,935</u>	<u>17,713</u>
Depreciation of property, plant and equipment:			
- Depreciation charge for the year		<u>7,088</u>	<u>6,182</u>

Viridor EFW (Runcorn) Limited**Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)****5 Finance income and costs**

	Note	2022 £ 000	2021 £ 000
Finance income			
Interest income on loans to related parties	22	<u>72</u>	<u>92</u>
Total finance income		<u>72</u>	<u>92</u>
Finance costs			
Interest element of lease rentals		(245)	(214)
Loss on derivatives at fair value through profit or loss		(48,539)	-
Other finance costs		-	(371)
Interest expense on loans from related parties	22	<u>(7,060)</u>	<u>(9,478)</u>
Total finance costs		<u>(55,844)</u>	<u>(10,063)</u>
Net finance costs		<u>(55,772)</u>	<u>(9,971)</u>

Viridor EFW (Runcorn) Limited**Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)****6 Taxation**

Tax charged in the income statement

	2022	2021
	£ 000	£ 000
UK corporation tax	4,940	2,106
Deferred tax	<u>(4,310)</u>	<u>782</u>
Tax charge in the income statement	<u>630</u>	<u>2,888</u>

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit before tax for the year.

Reconciliation of total tax charge:

The total tax for the year differs from the theoretical amount that would arise using the standard rate of Corporation tax in the UK of 19% (2021: 19%) as follows:

	2022	2021
	£ 000	£ 000
(Loss)/profit before tax	<u>(17,407)</u>	<u>15,495</u>
Tax calculated at the standard rate of UK Corporation tax of 19%	(3,307)	2,944
Depreciation charged on non-qualifying assets	266	208
Adjustment to tax in respect of prior years	520	(264)
Deferred tax charge relating to change in tax rate	<u>3,151</u>	<u>-</u>
Total tax charge	<u>630</u>	<u>2,888</u>

The average total effective rate for the year is -3.6% (2021: 18.6%).

UK Corporation tax is stated after a charge relating to prior year current tax of £11,000 (2021: credit of £19,000) and a prior year deferred tax charge of £509,000 (2021: credit of £245,000)

Viridor EFW (Runcorn) Limited**Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)****6 Taxation (continued)****Deferred tax**

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

Movements on deferred tax were:

	31 March 2022 £ 000	31 March 2021 £ 000
Net liabilities at 1 April	(17,441)	(16,633)
Credit/(charge) to the income statement	4,310	(782)
Charge to equity	-	(26)
Net liabilities at 31 March	<u>(13,131)</u>	<u>(17,441)</u>

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

All deferred tax assets and liabilities are within the same jurisdiction and may be offset as permitted by IAS 12.

The movement in deferred tax assets and liabilities were:

	At 1 April 2021 £ 000	Recognised in income statement £ 000	At 31 March 2022 £ 000
Accelerated tax depreciation	(17,520)	(7,123)	(24,643)
Provisions	9	3	12
Derivatives	70	11,430	11,500
Net tax assets/(liabilities)	<u>(17,441)</u>	<u>4,310</u>	<u>(13,131)</u>

The movement in deferred tax assets and liabilities during the prior year were:

	At 1 April 2020 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	At 31 March 2021 £ 000
Accelerated tax depreciation	(16,649)	(845)	(26)	(17,520)
Provisions	16	(7)	-	9
Derivatives	-	70	-	70
Net tax assets/(liabilities)	<u>(16,633)</u>	<u>(782)</u>	<u>(26)</u>	<u>(17,441)</u>

As announced in the Chancellor's Budget on 4 March 2021, the headline rate of corporation tax in the UK will increase from 1 April 2023 to 25%. This change in tax rate was substantively enacted on 24 May 2021. The effect of the change of rate has resulted in an increase the deferred tax liability by £3,151,000 which has been charged to the income statement (2021: £nil).

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

7 Employment costs

The Company has no employees (2021: none). Services provided by the Company were undertaken by employees of Viridor Energy Limited, a fellow subsidiary of Viridor Energy (Investments One) Limited (the smallest Group in which this company's results are consolidated). The employment costs in the income statement were recharged to the Company by Viridor Energy Limited in relation to 50 (2021: 51) employees who worked predominantly for the Company.

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

	2022	2021
	£ 000	£ 000
Wages and salaries	2,209	2,206
Social security costs	221	233
Pension costs, defined contribution scheme	101	223
	<u>2,531</u>	<u>2,662</u>

8 Key management personnel

Key management personnel have been determined to be the Executive Leadership Team (ELT) by virtue of their authority and responsibility for planning, directing and controlling the activities of the Group. This includes statutory directors of the Group. (2021: Key management were considered to be the statutory directors who held office during the accounting period).

Key management compensation

	2022	2021
	£ 000	£ 000
Aggregate emoluments of key management personnel in respect of their services to the Company	<u>310</u>	<u>105</u>

The Company incurred no direct charge for key management compensation but received a proportion of the employment costs as a management charge from Viridor Waste Limited (a parent company). Total emoluments of the Directors are disclosed in the Financial Statements of Viridor Limited (a Group in which this company's results are consolidated).

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

9 Property, plant and equipment

	Fixed and mobile plant, vehicles and computers £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation			
At 1 April 2020	244,495	2,502	246,997
Additions	467	4,368	4,835
Disposals	(2)	-	(2)
Transfers/reclassifications	6,735	(6,735)	-
At 31 March 2021	251,695	135	251,830
At 1 April 2021	251,695	135	251,830
Additions	-	43	43
Transfers/reclassifications	107	(107)	-
At 31 March 2022	251,802	71	251,873
Depreciation			
At 1 April 2020	40,469	-	40,469
Charge for year	5,991	-	5,991
At 31 March 2021	46,460	-	46,460
At 1 April 2021	46,460	-	46,460
Charge for the year	6,736	-	6,736
At 31 March 2022	53,196	-	53,196
Carrying amount			
At 31 March 2022	198,606	71	198,677
At 31 March 2021	205,235	135	205,370

Groups of assets forming cash generating units are reviewed for indicators of impairment. No indicators of impairment were identified during the year.

Asset lives and residual values are reviewed annually. No significant changes were required in the year.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

10 Right of use assets

	Machinery £ 000	Property £ 000	Total £ 000
Cost or valuation			
At 1 April 2020	7	5,455	5,462
Additions	-	171	171
At 31 March 2021	7	5,626	5,633
At 1 April 2021	7	5,626	5,633
Additions	413	97	510
Disposals	(7)	-	(7)
At 31 March 2022	413	5,723	6,136
Depreciation			
At 1 April 2020	2	180	182
Charge for year	2	188	190
At 31 March 2021	4	368	372
At 1 April 2021	4	368	372
Charge for the year	144	209	353
Eliminated on disposal	(6)	-	(6)
At 31 March 2022	142	577	719
Carrying amount			
At 31 March 2022	271	5,146	5,417
At 31 March 2021	3	5,258	5,261

The corresponding lease liabilities are disclosed in note 17.

Short-term and low value lease rentals payable are disclosed in note 4.

Viridor EFW (Runcorn) Limited**Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)****11 Derivatives held for risk management and hedge accounting****Derivatives held for risk management**

	31 March 2022 £ 000	31 March 2021 £ 000
Non-current financial liabilities		
Derivative financial instruments	<u>(16,443)</u>	<u>(371)</u>
	31 March 2022 £ 000	31 March 2021 £ 000
Current financial liabilities		
Derivative financial instruments	<u>(29,559)</u>	<u>-</u>

Derivatives not used in hedge accounting relationship total £46.0 million (2021: £0.4 million).

The Company does not have any cash flow hedges (2021: none).

The Company's financial risks and risk management policies are set out in note 3. The fair value of derivatives is split between current and non-current assets or liabilities based on the maturity of the cash flows. The ineffective portion recognised in the income statement arising from hedging relationships was £nil (2021: £nil).

The amounts above are at the fair value of financial instruments using level 2 - inputs that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of these instruments are based on the market value of equivalent instruments at the balance sheet date.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

12 Financial instruments by category

		Amortised cost		
	Notes	Loans and receivables £000	Trade receivables and trade payables £000	Total £000
31 March 2022				
Financial assets				
Trade and other receivables	14	-	52,126	52,126
Financial liabilities				
Borrowings	17	(190,833)	-	(190,833)
Trade and other payables	16	-	(662)	(662)
		<u>(190,833)</u>	<u>(662)</u>	<u>(191,495)</u>
31 March 2021				
Financial assets				
Trade and other receivables	14	-	30,114	30,114
Cash and cash equivalents	15	131	-	131
		<u>131</u>	<u>30,114</u>	<u>30,245</u>
Financial liabilities				
Borrowings	17	(206,888)	-	(206,888)
Trade and other payables	16	-	(4,440)	(4,440)
		<u>(206,888)</u>	<u>(4,440)</u>	<u>(211,328)</u>

13 Inventories

	31 March 2022 £ 000	31 March 2021 £ 000
Raw materials and consumables	<u>10,475</u>	<u>8,201</u>

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

14 Trade and other receivables

		31 March 2022 £ 000	31 March 2021 £ 000
Trade receivables		24,688	12,449
Provision for impairment of trade receivables		<u>(47)</u>	<u>-</u>
Net trade receivables		24,641	12,449
Receivables from related parties	22	27,485	17,665
Accrued income		3,399	-
Prepayments		<u>680</u>	<u>2,711</u>
		<u>56,205</u>	<u>32,825</u>

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

Included within receivables from related parties is £27,463,000 that reflects cash 'swept' to a parent Company in accordance with Viridor Group banking arrangements. This is not treated as cash from operations in the statement of cash flows.

The Company applies the simplified approach in calculating the expected credit losses for trade receivables allowing a provision matrix to be used which is based on the expected life of trade receivables. The expected credit loss rate applied ranges from 0% for not due balances up to 100% for balances aged over 120 days. However there are exceptions, for example where a customer has gone into liquidation a provision will be made regardless of ageing, or conversely if a customer is a major corporate or local authority with no history of default, a provision might not be considered appropriate.

The ageing of trade receivables which are past due but not specifically impaired was:

	31 March 2022 £ 000	31 March 2021 £ 000
Not past due	22,877	10,890
Past due 1 - 30 days	1,140	1,270
Past due 31 - 121 days	600	244
More than 120 days	<u>71</u>	<u>45</u>
	<u>24,688</u>	<u>12,449</u>

There is no significant concentration of credit risk in trade receivables. The company has a large number of customers who are dispersed and there is no expectation of a significant loss on trade receivables which have not been provided for.

15 Cash and cash equivalents

	31 March 2022 £ 000	31 March 2021 £ 000
Cash on hand	<u>-</u>	<u>131</u>

From 01 April 2021 the Company's bank accounts were 'swept' into a parent company bank account reflecting new Viridor Group banking arrangements. The resulting inter-company balance is included within trade receivables.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

16 Trade and other payables

		31 March 2022 £ 000	31 March 2021 £ 000
	Note		
Trade payables		615	344
Contract liabilities		6,619	-
Accrued expenses		2,029	2,784
Amounts due to related parties	22	47	4,096
Other taxes		<u>6,756</u>	<u>4,325</u>
		<u>16,066</u>	<u>11,549</u>

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

Contract liabilities are recognised when consideration is received in advance of the Company performing its obligations to customers. The movement in the contract liabilities was:

	31 March 2022 £ 000
<i>Contract liabilities</i>	
Consideration received in advance	<u>6,619</u>
At 31 March	<u>6,619</u>

All contract liabilities are expected to be satisfied and revenue recognised within the financial year ending 31 March 2023

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

17 Loans and borrowings

Current loans and borrowings

	Note	31 March 2022 £ 000	31 March 2021 £ 000
Finance lease liabilities		225	122
Amounts due to related parties	22	-	11,159
		<u>225</u>	<u>11,281</u>

The Directors consider that the carrying amounts of current borrowings approximate to their fair value.

Non-current loans and borrowings

	Note	31 March 2022		31 March 2021	
		Book Value £000	Fair Value £000	Book Value £000	Fair Value £000
Finance lease liabilities		6,065	6,065	5,904	5,904
Amounts due to related parties	22	<u>184,543</u>	<u>205,913</u>	<u>189,703</u>	<u>189,703</u>
		<u>190,608</u>	<u>211,978</u>	<u>195,607</u>	<u>195,607</u>

The loan from the intermediate parent company is unsecured and repayable on demand. Interest is charged on the borrowings on a daily basis at a rate of 2.983% (2021: 4.968%).

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

The maturity of non-current borrowings is:

	31 March 2022 £ 000	31 March 2021 £ 000
Between 1 and 2 years	19,469	11,412
Between 2 and 5 years	58,309	33,896
Over 5 years	<u>112,830</u>	<u>150,299</u>
	<u>190,608</u>	<u>195,607</u>

The weighted average maturity of non-current borrowings was 10 years (2021: 20 years).

Total borrowings

	31 March 2022 £ 000	31 March 2021 £ 000
Finance lease liabilities	6,290	6,026
Amounts due to parent company	<u>184,543</u>	<u>200,862</u>
	<u>190,833</u>	<u>206,888</u>

Viridor EFW (Runcorn) Limited**Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)****18 Provisions**

	31 March 2022 £ 000	31 March 2021 £ 000
Current provisions	2,300	-
Non-current provisions	<u>100</u>	<u>100</u>
	<u>2,400</u>	<u>100</u>

	Other provisions £ 000	Total £ 000
At 1 April 2021	100	100
Additional provisions	<u>2,300</u>	<u>2,300</u>
At 31 March 2022	<u>2,400</u>	<u>2,400</u>

Other provisions of £2,400,000 (2021: £100,000) have been recognised, conforming with IAS 37 Provisions, contingent liabilities and contingent assets, as liabilities of uncertain timing or amount arising from obligations from Viridor's operations which are not subject to permit requirements.

19 Share capital**Allotted, called up and fully paid shares**

	31 March 2022		31 March 2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

20 Commitments**Capital commitments**

The total amount contracted for but not provided in the financial statements was £Nil (2021 - £220,000).

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

21 Contingent liabilities

	31 March 2022 £ 000	31 March 2021 £ 000
Bank guarantee	-	131
	<u>-</u>	<u>131</u>

i) Bank Guarantees

Certain banking arrangements of the Company operate on a pooled basis with certain other Group companies and under these arrangements, credit balances of participating companies can be offset against overdrawn balances of participating companies.

No liability is expected to arise in respect of the guarantees.

During the year, the company issued a charge over its assets as security for the wider Viridor Group's financing facilities. This charge had not been satisfied as at 31 March 2022.

22 Related party transactions

The inter-company relationships described below relate to the relationships that existed at 31 March.

"Parent" relates to both direct and indirect parent companies.

Year end balances

	Note	31 March 2022 £000	31 March 2021 £000
Current receivables			
Parent company		27,463	13,000
Fellow subsidiaries		<u>22</u>	<u>4,665</u>
	14	<u>27,485</u>	<u>17,665</u>
Non-current borrowings			
Parent company		<u>(184,543)</u>	<u>(189,703)</u>
	17	<u>(184,543)</u>	<u>(189,703)</u>
Current borrowings			
Parent company		<u>-</u>	<u>(11,159)</u>
	17	<u>-</u>	<u>(11,159)</u>
Current trade payables			
Parent company		-	(1,027)
Fellow subsidiaries		<u>(47)</u>	<u>(3,069)</u>
	16	<u>(47)</u>	<u>(4,096)</u>

The loan from the parent company is unsecured. Interest is charged at a rate of 2.893% (2021: 4.698%). The balance of the debt is repayable in instalments until 2032 (2021:2039).

The trading balances due to or from related parties are interest free, unsecured and repayable on demand.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

22 Related party transactions (continued)

Transactions with related parties

Income from related parties:

		Intermediate parent company £ 000	Fellow subsidiaries £ 000	Total £000
2022	Note			
Income from provision of loan finance	5	72	-	72
		Intermediate parent company £ 000	Fellow subsidiaries £ 000	Total £000
2021	Note			
Sale of goods and services		15	23,187	23,202
Income from provision of loan finance	5	92	-	92
		107	23,187	23,294

Expenditure with related parties:

		Intermediate parent company £ 000	Fellow subsidiaries £ 000	Total £000
2022	Note			
Purchase of goods and services		(6,527)	-	(6,527)
Administrative charges		-	(3,320)	(3,320)
Payment for provision of loan finance	5	(7,060)	-	(7,060)
		(13,587)	(3,320)	(16,907)
		Intermediate parent company £ 000	Fellow subsidiaries £ 000	Total £000
2021	Note			
Purchase of goods and services		-	(1,807)	(1,807)
Administrative charges		-	(5,251)	(5,251)
Dividends payable		(4,000)	-	(4,000)
Payment for provision of loan finance	5	(9,478)	-	(9,478)
		(13,478)	(7,058)	(20,536)

Sales and purchases of goods and services with fellow subsidiaries of Viridor Limited are undertaken on normal commercial terms and conditions that would also be available to unrelated third parties.

Viridor EFW (Runcorn) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 March 2022 (continued)

23 Parent and ultimate parent undertaking

The following information relates to the Group structure that existed at 31 March 2022.

The company's immediate parent was Viridor Energy Limited.

The ultimate parent was KKR Planets Aggregator L.P.

The most senior parent entity producing publicly available financial statements was Planets UK MidCo Limited. These financial statements are available upon request from 11th Floor, 200 Aldersgate Street, London, United Kingdom, EC1A 4HD

The parent of the smallest group in which these financial statements are consolidated is Viridor Energy (Investments One) Limited, incorporated in England.

The address of Viridor Energy (Investments One) Limited is:
Viridor House, Priory Bridge Road, Taunton, Somerset, TA1 1AP