

Registered number: 03184332

SUEZ Recycling and Recovery Surrey Limited

Annual report and financial statements

For the Year Ended 31 December 2019



SUEZ Recycling and Recovery Surrey Limited

Company Information

Directors	F Duval J Scanlon G Mayson (appointed 1 January 2020) C Thorn (appointed 1 February 2020)
Company secretary	M H Thompson
Registered number	03184332
Registered office	SUEZ House Grenfell Road Maidenhead Berkshire SL6 1ES
Independent auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

SUEZ Recycling and Recovery Surrey Limited

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SUEZ Recycling and Recovery Surrey Limited

Strategic report For the Year Ended 31 December 2019

Business review

	2019	2018	
	£000	£000	Change
Turnover	78,835	65,107	+ 21%
Operating profit	8,529	3,769	+ 126%
Loss after tax	(27,548)	(19,242)	+ 43%
Shareholder's (deficit)/funds	(34,859)	(7,311)	+ 377%
Current assets as % of current liabilities	349%	343%	

During the year the development of the Eco Park has continued. The increase in turnover is mainly attributable to increased construction revenue recognised relating to higher milestones paid to M+W in 2019 compared to 2018, along with increased internal costs to support the construction as it nears the final stages.

The increase in operating profit compared to last year is driven by the approach for accounting for the concession debtor (detailed below), which creates a positive impact on the amortisation of the concession debtor in 2019 compared to 2018.

The Company and Surrey County Council dispute whether the Eco Park works have reached "Acceptance" under the contract which determines the Company's entitlement to increased contractual payments. The Company is seeking to resolve the matter in line with the contract's dispute resolution provisions. The Company has taken a prudent approach and made an impairment to the concession debtor of £36.1m recognised in the year. The impairment of the concession debtor, recognised in the income statement, in the opinion of the directors is sufficient to cover the maximum exposure to the Company while the dispute resolution process is ongoing. Further detail on the dispute and the directors' assessment of the impairment at the year end is contained in note 3.

Impact of leaving the EU

The impact of leaving the EU now the transitional period has ended have been considered and the directors are of the opinion that no significant impact has or is expected to be felt.

Principal risks and uncertainties

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

Operational risks

The SUEZ R&R UK Group's operations involve some major public sector contracts, ranging from periods of 7 to 25 years or more, where default on the contract may result in substantial compensation payments to the client. Long-term contracts also expose the Group to the risk that the contract's revenue profile over the life of the contract may not be sufficient to compensate the Group for unforeseen cost increases, and hence losses may result. The Group has put in place rigorous tender approval procedures to ensure all risks are properly considered. The Group's management and review procedures are aimed at ensuring any problems are identified at an early stage and steps are taken to mitigate any losses arising.

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

SUEZ Recycling and Recovery Surrey Limited

Strategic report (continued) For the Year Ended 31 December 2019

Competitive risks

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

Legislative risks

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

Health and Safety risks

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

Financial instrument risks.

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

Use of derivatives

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

Exposure to price, credit, liquidity and cash flow risk

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

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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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

COVID-19

The companies within the SUEZ Recycling and Recovery Group in the UK (the Group) are managed centrally by one Operations Committee. Strategy and policy are decided upon at this Group level, and thus the risks and issues caused by the COVID-19 outbreak are being addressed on a Group wide basis.

SUEZ Recycling and Recovery Surrey Limited

Strategic report (continued) For the Year Ended 31 December 2019

Since the outbreak of the COVID-19 virus in the United Kingdom, the Group has continually assessed the risks and impacts of the pandemic and the associated economic slowdown on its business. The Group's Gold Command consisting of Company directors, other Operations Committee members and senior personnel gathers frequently to assess the evolving situation regarding the pandemic and Government legislation, as well as specific guidance for our industry.

The key risks to our business are considered to be as follows:

- The Health and Safety of our employees as well as the users of our services.
- Fall in demand for industrial and commercial collection services associated with the economic slowdown.
- Cash management resulting from reduced customer receipts.

The Group has taken significant measures to mitigate these risks.

Health and Safety:

The Health and Safety of our employees and the general public is always the top priority of the Group; with the outbreak of COVID-19 further accentuating this. The Group has gone to great lengths to secure sufficient supplies of PPE to our operational teams. Furthermore, new guidance has been issued to operational teams (in particular those involved with collections) to manage social distancing protocol. All office based staff were remobilised to work from home from 2020 in line with Public Health England and government guidance. The Group has also been very active on social media platforms to publicise and promote safe waste handling guidelines for the general public.

Industrial and commercial collections:

The lockdown and economic slowdown has led to reduced volumes within our collections business. We anticipate that these volumes may take a period of months to recover to pre COVID-19 levels and also provide an opportunity to grow. The Group benefits from diverse waste streams, with industrial and collections contributing about 15% of the Group revenue. So whilst the drop in industrial and collection (I&C) tonnage does have an impact on the Group's revenue and profitability, we are not overly reliant on I&C. Further measures have been implemented to restrict the impact of falling I&C tonnage on our business, such as mothballing certain vehicles and using the UK Government Coronavirus Job Retention Scheme (furlough scheme) for some collection staff. We have also supported our I&C customers that have been most affected by the lockdown by offering a service holiday during the lockdown periods.

Cash management:

The slowdown of activity within the UK economy has further highlighted the need for tight cash management. The Group has continued to receive cash for the fixed price elements of our contracts with local authorities, even when the HWRCs were closed. The Group has continued to generate net cash inflows from its operating activities in the period since lockdown in the UK. We are also ensuring that we continue to pay our key suppliers promptly in line with the guidance set out under the government's PPN Supplier Relief programme. We continue to closely monitor the credit status of our customers, especially in the I&C business to minimise our exposure to bad debt risk which is partly mitigated via our credit insurance policies.

Like most businesses, COVID-19 has clearly had an impact on our Group's financial performance in 2020 and to a lesser extent 2021. The Directors remain confident that our strong relationships with our customers, our long term contracts and our diversified business will provide strong foundations for continued success.

Section 172 statement

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) (a) – (f) of the Act, when performing their duty to promote the success of the

SUEZ Recycling and Recovery Surrey Limited

Strategic report (continued) For the Year Ended 31 December 2019

Company, under section 172.

S172(1)(a) The likely consequences of any decision in the long term & S172(1)(e) The desirability of the company maintaining a reputation for high standards of business conduct

The focus of the Board has been to drive the Group towards achieving its goals alongside its commitment to having a workforce that more accurately reflects society and has developed challenging targets to achieve this, which includes overhauling our parental leave and flexible working policies, improving the gender pay gap and collaborating across the sector to help drive sector-wide change.

As part of the Group's drive to become more sustainable, the Group has set targets as part of its environmental strategy. The Group is well advanced in developing action plans and engaging with our workforce. The next steps will be to provide the necessary training to be able to deliver these targets, as well as engaging with our wider stakeholders.

The directors of the Company delegated certain duties and responsibilities to various committees and receives regular and timely information (at least monthly) on all key aspects of the business including health and safety, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability, all supported by Key Performance Indicators (KPIs) and identified a list of strategic priorities that were to be reviewed by management throughout 2019.

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

How the directors promote the interests of the Company's employees are set out within the Engagement with employees section of the Directors' report. (page 11)

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

How the directors promote the need to foster the company's business relationships with suppliers, customers and others is set out in the engagement with suppliers, customers and others of the Directors' report. (page 12)

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

The Company and our employees believe it is important to give something back to the communities we work in and to society. We do this in many ways. We organise these activities into a programme under our corporate responsibility strategy and call it 'Giving Something Back'. The programme aims to encourage everyone in the company to get involved with local causes and supporting national charities.

Engagement takes place locally through our local offices and sites with many of our operations and the planning team having regular two-way conversations with community representatives to discuss our activities and the local topics that impact us both. Including via the science, technology, engineering and mathematics (STEM) intuitive which helps to improve the learning and career prospects of local people, at the same time as enhancing our reputation and helping to develop our people and our education programmes, community consultation and involvement through various community Trusts.

During 2019 schools and community groups across the country, who wanted to know more about waste and what happens to it, visited many of our larger facilities that have education and visitor centres where groups can learn about the journey of waste, and see how we handle, process and recover value from it – giving it a second life.

Our network of employee education ambassadors, who are all passionate about resources and sharing their knowledge, visit schools to explain the importance of recycling and responsible waste management in a fun and informative way that links with the national curriculum. These ambassadors also visit local events and county fairs.

We maintain a collaborative and positive relationship with our key environmental regulators the Environment Agency and Scottish Environmental Protection Agency. More details of how the company promotes its purpose of protecting our environment by putting waste to good use is set out in the Environmental matters section of the

SUEZ Recycling and Recovery Surrey Limited

Strategic report (continued)
For the Year Ended 31 December 2019


Directors' report. (page 10)

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

For the year under review we have been a wholly owned subsidiary within the SUEZ Recycling and Recovery UK Group. With the Chief Executive Office and the Finance Director also sitting on our board. Decision of the Board are also discussed, where relevant, at the meetings of the parent company board.

This report was approved by the board on 21/05/2021 and signed on its behalf.

C Thorn
Director



SUEZ Recycling and Recovery Surrey Limited

Directors' report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Principal activity

The company has a 25 year contract, signed in 1999, with Surrey County Council to construct, finance and operate waste disposal sites in the county. The company operates as part of the SUEZ Recycling and Recovery Holdings UK Limited Group ("SUEZ R&R UK Group"), the United Kingdom recycling and recovery business of SUEZ SA.

Results and dividends

The loss for the year, after taxation, amounted to £27,548,000 (2018 - loss £19,242 000).

The directors do not recommend the payment of a dividend (2018 - £Nil).

Directors

The directors who served during the year were:

F Duval
D Palmer-Jones (resigned 1 January 2020)
J Scanlon

No director who held office on 31 December 2019 had an interest in the company's shares either during the financial year or at 31 December 2019.

SUEZ Recycling and Recovery Surrey Limited

Directors' report (continued) For the Year Ended 31 December 2019

Environmental matters

Our purpose is to protect our environment by putting waste to good use.

A crucial element of this is ensuring that the vision of the circular economy - where the waste cycle can work with the economic cycle to return waste as a secondary resource back into production and consumption - becomes a reality and value is extracted from waste.

In 2019 the SUEZ R&R UK Group:

- Provided municipal collection services for a population of 1,680,549 and 23,620 I&C customers, collecting a total of 1,536,435.06 tonnes;
- Handled a total of 10,334,293 tonnes:
 - 1,536,435.06 tonnes collected
 - 3,396,686 tonnes transferred
 - 5,401,171.809 tonnes treated (sum of waste treated: inputs counted)
- Recycled and/or recovered 4,206,013 tonnes:
 - 2,175,361.65 tonnes treated via EFW
 - Recycled 1,001,424.97 tonnes
 - Produced 71,397.34 tonnes compost
 - Recycled and/or recovered 360,994.30 tonnes wood
 - Produced 176,051.8 tonnes Solid Recovered Fuels (SRF)
 - Produced 420,782.95 tonnes Refuse Derived Fuels (RDF)
- Reduced waste to disposal to 620,023.20 tonnes
- Generated 1,573,075.53 MWh of electricity from our landfill gas and energy from waste facilities
- Restored 25.8 ha of landfill and planted 259 trees
- Helped our customers avoid -1,860,140.54 tCO₂ (through recycling, recovery and electricity/thermal energy generation)

Future developments

There is uncertainty around the dispute and legal proceedings with Surrey County Council, as detailed in note 3 and note 23. Decisions to be made by the directors on the future direction and strategy of the company is somewhat dependent on the outcome of this dispute. Support from SUEZ group remains for the foreseeable future.

SUEZ Recycling and Recovery Surrey Limited

Directors' report (continued) For the Year Ended 31 December 2019

Going Concern

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

Having made enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The company's ultimate UK parent company, SUEZ UK Group Holdings Limited, has confirmed its intention and ability to provide such financial support as may be necessary to allow the company to continue to operate as a going concern and to meet all of its obligations in full for the next twelve months from the date of approval of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

The UK Group benefits from a current account overdraft facility from the French parent company (SUEZ SA) to finance day to day activities. It also benefits from long term loans from SUEZ SA regarding some of our major infrastructure projects. The loans are subject to contractual terms and repayment schedules in line with the operational activities of the infrastructure that they finance. SUEZ SA have confirmed that this overdraft facility will remain in place for at least 12 months from the signing of these financial statements. The UK Group currently has no external (non Group) loans in place. The impact of COVID-19 has been assessed and factored into the cashflow forecasts for the UK Group and it is not expected that the overdraft facility with SUEZ SA will be breached in the next 12 months, with adequate headroom for any unknown events also.

Engagement with employees

The Company, as part of SUEZ Recycling and Recovery UK Group (the Group), communicates to its employees through presentations, internal group-wide emails, newsletters, social media channels and blogs on our intranet. An annual employee conference, delivered at various local locations around the country, provides a briefing on the Group's performance, gives an update on any initiatives that are being introduced and allows individuals to raise questions and concerns.

The Board has direct engagement during site visits, Board presentations, informal lunches, social media channels and the blogs on our intranet, all of which give our employees the opportunity to interact with members of the Board and senior management.

'U Say', the Group's employee engagement survey is carried out anonymously every two years to highlight areas of improvement. The Board considers the results of all employee engagement surveys a good barometer of the workforce's confidence in the Group's strategic direction, optimism in the future and career opportunities. In 2019 the Group improved its score in every one of the eight key factors when compared with the previous survey. 85% of our employees took the time to fill in the survey, achieving our highest engagement score to date and helped to raise £20,000 for our charity partner Macmillan Cancer Support.

In 2019, the Board started to send summaries of key themes from the Group Board meeting via our internal social media platform. Engagement with employees also takes place through works councils and various other committees and groups.

SUEZ Recycling and Recovery Surrey Limited

Directors' report (continued) For the Year Ended 31 December 2019

Engagement with suppliers, customers and others

Customers

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

Suppliers

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

The Board receives information through various Group's board reports produced throughout the business.

Other stakeholders

Other key stakeholders include the Government, Regulators and Local Authorities.

The Chief Executive, some directors and senior managers met with members of Government, other political parties and senior officials to provide an overview of the recycling and recovery industry and to provide feedback on potential changes being considered by the Government.

Members of Parliament visited a number of our sites during the year. Government and ministers gain a better understanding of the challenges facing the industry which will in turn potentially result in more favourable policies for our industry.

The Group's business is heavily regulated with a large number of our key clients being local authorities. We perform customer engagement surveys and the performance of the business is regularly reported to the Board and OpCom on a monthly basis. The findings are used to improve customer engagement with knowledge being shared across the Group. On all large contracts, the Group hosts local community events to engage with local stakeholders.

Directors' indemnity

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

Matters covered in the strategic report

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

Disclosure of information to auditor

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

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

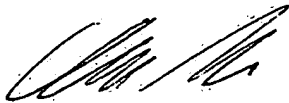
SUEZ Recycling and Recovery Surrey Limited

Directors' report (continued)
For the Year Ended 31 December 2019

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21/05/2021 and signed on its behalf.



C Thorn
Director

SUEZ Recycling and Recovery Surrey Limited

Independent auditor's report to the member of SUEZ Recycling and Recovery Surrey Limited

Opinion

We have audited the financial statements of SUEZ Recycling and Recovery Surrey Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statements of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Emphasis of Matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the material uncertainty attached to a commercial dispute with a key customer and the subsequent impact this may have on the carrying value of the service concession financial asset.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

SUEZ Recycling and Recovery Surrey Limited

**Independent auditor's report to the member of SUEZ Recycling and Recovery Surrey Limited
(continued)**

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard..

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

SUEZ Recycling and Recovery Surrey Limited

**Independent auditor's report to the member of SUEZ Recycling and Recovery Surrey Limited
(continued)**

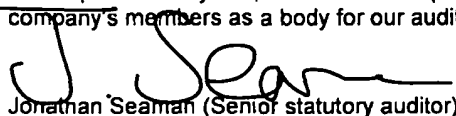
Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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



Jonathan Seaman (Senior statutory auditor)

for and on behalf of
Mazars LLP

Chartered Accountants and Registered Auditor

Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 21 May 2021

SUEZ Recycling and Recovery Surrey Limited

**Statement of comprehensive income
For the Year Ended 31 December 2019**

	Note	2019 £000	2018 £000
Turnover	4	78,835	65,107
Cost of sales		(60,404)	(51,475)
Gross profit		18,431	13,632
Administrative expenses		(9,902)	(9,863)
Operating profit	5	8,529	3,769
Interest receivable and similar income	8	6,869	7,419
Interest payable and expenses	9	(10,764)	(9,401)
Other losses	10	(36,104)	(23,181)
Loss before tax		(31,470)	(21,394)
Tax on loss	11	3,922	2,152
Loss for the financial year		(27,548)	(19,242)
Total comprehensive loss for the year		(27,548)	(19,242)

The notes on pages 20 to 38 form part of these financial statements.

All loss and comprehensive loss is attributable to continuing activities.

SUEZ Recycling and Recovery Surrey Limited
Registered number: 03184332

Statement of financial position
As at 31 December 2019

	Note	2019 £000	2018 £000
Current assets			
Stocks	12	20	17
Debtors: amounts falling due after more than one year	13	52,848	73,027
Debtors: amounts falling due within one year	13	54,980	67,724
Cash at bank and in hand	14	6	2
		<u>107,854</u>	<u>140,770</u>
Creditors: amounts falling due within one year	15	(30,932)	(41,050)
Net current assets		<u>76,922</u>	<u>99,720</u>
Total assets less current liabilities		<u>76,922</u>	<u>99,720</u>
Creditors: amounts falling due after more than one year	16	(110,325)	(102,576)
		<u>(33,403)</u>	<u>(2,856)</u>
Provisions for liabilities			
Deferred taxation	18	-	(3,002)
Other provisions	19	(1,456)	(1,453)
		<u>(1,456)</u>	<u>(4,455)</u>
Net liabilities		<u>(34,859)</u>	<u>(7,311)</u>
Capital and reserves			
Called up share capital	20	-	-
Profit and loss account	21	(34,859)	(7,311)
Shareholder's funds - deficit		<u>(34,859)</u>	<u>(7,311)</u>

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



C Thorn
Director

21/05/2021

SUEZ Recycling and Recovery Surrey Limited

**Statement of changes in equity
For the Year Ended 31 December 2019**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	-	(7,311)	(7,311)
Comprehensive loss for the year			
Loss for the year	-	(27,548)	(27,548)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(27,548)	(27,548)
At 31 December 2019	-	(34,859)	(34,859)

The notes on pages 20 to 38 form part of these financial statements.

**Statement of changes in equity
For the Year Ended 31 December 2018**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	-	11,931	11,931
Comprehensive loss for the year			
Loss for the year	-	(19,242)	(19,242)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(19,242)	(19,242)
At 31 December 2018	-	(7,311)	(7,311)

The notes on pages 20 to 38 form part of these financial statements.

SUEZ Recycling and Recovery Surrey Limited

Notes to the financial statements For the Year Ended 31 December 2019

1. General information

SUEZ Recycling and Recovery Surrey Limited is a private company, limited by shares, incorporated, domiciled and registered in England & Wales, United Kingdom. These financial statements cover the individual entity. The address of its registered office and principal place of business is SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES. Registered number is 03184332.

The Company's intermediate parent company is SUEZ Recycling and Recovery Holdings UK Limited, incorporated and registered in the United Kingdom, which owns 100% of the Company ordinary share capital. The ultimate parent company is SUEZ SA, a company incorporated and registered in France.

The smallest Group in which the Company is incorporated into is SUEZ Recycling and Recovery Holdings UK Limited and the largest is SUEZ SA. The consolidated financial statements of SUEZ SA may be obtained from Tour CB21, 16 Place de L'Iris, 92040 Paris La Defense Cedex, France.

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

These financial statements have been prepared under the historical costs convention.

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

SUEZ Recycling and Recovery Surrey Limited

Notes to the financial statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures.
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- the requirements of IAS 7 Statement of Cash Flows.
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures.
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of paragraphs 6 to 21 of IFRS 1 First-time adoption of International Financial Reporting.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The company has **NOT** taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture.

2.3 Impact of new international reporting standards, amendments and interpretations

IFRS 16

There are no material adjustments required to be made to the Company's financial statements as a result of the application of IFRS 16.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)**2.3 Impact of new international reporting standards, amendments and interpretations (continued)**

The operating leases disclosed in 2018 under IAS17 are not held by the Company for the current year therefore there is no IFRS16 lease assets or liabilities to recognise.

2.4 Going concern

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

The UK Group benefits from a current account overdraft facility from the French parent company (SUEZ SA) to finance day to day activities. It also benefits from long term loans from SUEZ SA regarding some of our major infrastructure projects. The loans are subject to contractual terms and repayment schedules in line with the operational activities of the infrastructure that they finance. SUEZ SA have confirmed that this overdraft facility will remain in place for at least 12 months from the signing of these financial statements. The UK Group currently has no external (non Group) loans in place. The impact of COVID-19 has been assessed and factored into the cashflow forecasts for the UK Group and it is not expected that the overdraft facility with SUEZ SA will be breached in the next 12 months, with adequate headroom for any unknown events also.

Having made enquiries and consideration of the contract dispute and claims disclosed in note 3, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2.5 Revenue

Revenue arising from the handling and disposal of waste is recognised on receipt of the waste by the Company. Service concession revenue is measured by a contractual fixed and variable fee. Differences between the amounts recognised in the income statement and amount invoiced at the period end are shown in the statement of financial position as a contract asset or contract liability.

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

Construction Revenue is recognised as a proportion of the construction cost to date compared to the total expected construction cost plus profit margin.

2.6 Stock

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

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

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

**Notes to the financial statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)

2.9 Financial instruments

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

Financial assets

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

Loans and receivables

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

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

At amortised cost

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

2.10 Creditors

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

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

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)**2.11 Finance costs**

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

2.12 Pensions

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

The company participates in SUEZ Recycling and Recovery UK Group defined benefit pension schemes and the pension charge is based on full actuarial valuations dated between 31 December 2018 and 5 April 2019. These are schemes under common control, the assets and liabilities of which are held separately from the Group. The company is unable to identify its share of the underlying assets and liabilities of the schemes and accordingly accounts for the schemes as if they were defined contribution schemes.

**Notes to the financial statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)

2.13 Service concession financial asset

In accordance with IFRIC 12 and the various provisions of IFRS, the Company has determined the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts.

Results of all service concessions which fall within the scope of IFRIC12 conform to the following policies depending on the rights to consideration under the service concessions:

Service concessions treated as financial assets

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

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

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

Financial Assets are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method less any impairment losses.

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

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

There are provisions in the contract for termination (and related compensation) in the event of default or voluntary termination by the operator or grantor. There is provision in the contract for an extension of the contract period. The contract specifies that the waste management facilities are to be returned to Surrey County Council at the end of the contract in an appropriate condition.

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

2.14 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

SUEZ Recycling and Recovery Surrey Limited

Notes to the financial statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.15 Provisions for liabilities

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

Closure costs:

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

Post closure costs:

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

Post-closure provisions have been shown at net present value. The current cost estimated has been inflated at 2.36% (2018 - 2.34%) and discounted by 6.33% (2018 - 6.33%). The unwinding of the discount element is shown in the financial statements as a financial item.

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

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

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**Notes to the financial statements
For the Year Ended 31 December 2019**

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

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

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

- **Taxation** – management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.
- **Landfill provisions** – The post closure costs associated with environmental control after landfill sites close are uncertain. The key factors are the volumes of leachate requiring treatment, the amount of landfill gas produced by the site and the amounts of electricity income this can generate, the speed at which the waste decomposes and other requirements set out by the environmental regulator. The provision requirement is reviewed and updated, if required, on an annual basis. The provisions are recognised in the financial statements at net present value using a discounted rate estimated by management to reflect the time value of money. At 31 December 2019 the company's landfill provisions were £1.5m (2018: £1.5m) (Note 19).
- **Service concession arrangements** – Consideration from contract with public sector entities for waste management service concessions is treated either as contract receivables or an intangible asset or a mixture of both based on the right to receive cash from the arrangement. Management have used judgement to determine the fair value of the services provided when splitting the contractual receivables between the construction of assets, the operating of the facilities and the provision of financing. Further details of these arrangements found in note 2.13.

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

The company has made judgements and estimates in relation to the carrying value of the service concession financial asset (note 13 - £52,848,000) and the impairment charge recognised in the year (note 10 - £36,104,000). Details behind this impairment are set out below.

At the date of signing the financial statements, the Company has an ongoing dispute with Surrey County Council. The dispute relates to a different contractual interpretation of the trigger for "Acceptance" of the Eco Park AD and Gasifier facilities, which determines the Company's entitlement to increased contractual payments. (the "Increased Payments"):

- The Company's interpretation is that "Acceptance" occurs on achieving agreed minimum performance tests for each facility. For the AD facility this was achieved in 2019 and for the Gasifier in 2020 (the "SUEZ Dates") and was confirmed by an Independent Testing Agency (as the Works subcontract requires).
- Surrey County Council's interpretation is that for 'Acceptance' the relevant agreed minimum performance tests must also take place during a successful test of reliability (as set out in the Works subcontract). The Independent Certifier has not provided the relevant certificate of Acceptance in relation to the MPT and reliability tests to date, because this dispute exists. The Council has started legal proceedings in respect of this dispute, further details in relation to this are disclosed in note 23.

The Company accounts for its relevant contract as a concession arrangement under IFRIC12 and has recognised a financial asset measured at amortised cost. The Company has recognised impairment

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

3. Judgments in applying accounting policies (continued)

losses (note 10); this impairment covers two distinct periods 1) the period from the year end date to the date the minimum performance tests were passed and 2) the period in dispute, being between the minimum performance tests and the 3 August 2021, the date that the revised reliability and minimum performance tests are expected to be complete.

Although the Company's directors believe the Company's interpretation of the contract to be correct, reflected in the financial statements for the year ended 31 December 2019 is further impairment of the concession debtor (note 10) to cover the expected maximum exposure to the Company of the Increased Payments not being paid by Surrey County Council in line with the Company's interpretation of the contract.

In order to minimise the extent of the dispute the Company intends to repeat the minimum performance tests and the reliability tests for each facility so that it meets the criteria for Acceptance on Surrey County Council's case. To maximise the prospects of successful completion of the future tests, modifications are being carried out ahead of reperforming both the minimum performance tests and reliability tests.

The expected maximum exposure to the Company is calculated from the respective SUEZ Dates to 3 August 2021 for both facilities, being the prudent dates when the minimum performance tests and the related reliability tests are forecast to be achieved – in line with Surrey County Council's interpretation. Should the relevant tests be achieved later than forecast, then a further provision of £0.6m will be made for each week of further delay.

Given the nature of the commercial dispute there is a material uncertainty associated with the carrying value of the service concession asset.

4. Turnover

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

	2019 £000	2018 £000
Disposal of waste	64,040	59,871
Construction revenue	13,166	3,482
Sale of recyclates	1,629	1,754
	<u>78,835</u>	<u>65,107</u>

All turnover arose within the United Kingdom.

If the services rendered by the company exceed the payment, a contract asset is recognised, if the payments exceed the services rendered a contract liability is recognised.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

5. Operating profit

The operating profit is stated after charging:

	2019	2018
	£000	£000
Cost of stocks recognised as an expense	349	371

6. Auditors' remuneration

For the year ended 31 December 2019 and the prior year, auditor's remuneration was borne by a fellow group company.

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

7. Employees

Staff costs were as follows:

	2019	2018
	£000	£000
Wages and salaries	4,311	5,324
Social security costs	416	549
Pension costs	326	281
	5,053	6,154

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

	2019	2018
	No.	No.
Operational	165	166
Administrative and management	32	25
	197	191

During the year, no director received any emoluments (2018 - £NIL)

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

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

8. Interest receivable

	2019 £000	2018 £000
Interest receivable from group companies	339	416
Interest on service concession financial asset	6,530	7,003
	<u>6,869</u>	<u>7,419</u>

9. Interest payable and similar expenses

	2019 £000	2018 £000
Unwinding of discount rate	90	68
Loans from group undertakings	9,231	7,480
Other interest payable	1,443	1,853
	<u>10,764</u>	<u>9,401</u>

10. Other losses

	2019 £000	2018 £000
Other losses on service concession financial assets measured at amortised cost	(36,104)	(23,181)
	<u>(36,104)</u>	<u>(23,181)</u>

Other losses on service concession financial assets measured at amortised cost relate to the impairment of the financial caused by the delays and disputes set out in note 3.

SUEZ Recycling and Recovery Surrey Limited

Notes to the financial statements
For the Year Ended 31 December 2019

11. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on losses for the year	(803)	(1,185)
Adjustments in respect of previous periods	16	(1)
	<u>(787)</u>	<u>(1,186)</u>
Total current tax	<u>(787)</u>	<u>(1,186)</u>
Deferred tax		
Origination and reversal of timing differences	(3,131)	(958)
Adjustments in respect of prior periods	(4)	(8)
Total deferred tax	<u>(3,135)</u>	<u>(966)</u>
Taxation on loss on ordinary activities	<u>(3,922)</u>	<u>(2,152)</u>

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before tax	<u>(31,470)</u>	<u>(21,394)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(5,979)	(4,065)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,692	1,764
Adjustments to tax charge in respect of prior periods	12	(9)
Change in taxation rate	353	-
Lower tax rate of deferred tax	-	158
Total tax credit for the year	<u>(3,922)</u>	<u>(2,152)</u>

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

11. Taxation (continued)**Factors that may affect future tax charges**

Subsequent to the balance sheet date, the Finance Act 2020 was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. This change has not been recognised in these financial statements with deferred tax continuing to be recognised at 17%.

12. Stocks

	2019 £000	2018 £000
Raw materials and consumables	20	17
	<u>20</u>	<u>17</u>

In the year ended 31 December 2019 £349,000 (2018: £371,000) was the amount of inventory recognised as an expense. £nil has been written down in the year (2018: £nil).

The difference between purchase price of stocks and their replacement cost is not material.

13. Debtors

	2019 £000	2018 £000
Due after more than one year		
Service concession financial asset	52,848	73,027
	<u>52,848</u>	<u>73,027</u>
Due within one year		
Amounts owed by group undertakings	47,141	57,275
Other debtors	2,590	3,759
Prepayments	124	109
Service concession financial asset	-	2,365
Corporation tax recoverable	-	1,185
Deferred taxation	133	-
Contract assets	4,992	3,031
	<u>54,980</u>	<u>67,724</u>

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

14. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	6	2
	<u>6</u>	<u>2</u>

15. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Loans from group undertakings	19,864	20,937
Corporation tax payable	244	-
Contract liability	111	406
Other creditors	5	3
Accruals	10,708	19,704
	<u>30,932</u>	<u>41,050</u>

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

	2019 £000	2018 £000
Loans from group undertakings	110,325	102,576
	<u>110,325</u>	<u>102,576</u>

Unsecured Loans

Loans owed to group undertakings relate to loans which accrue interest of 5.91% and 11%.

These amounts are repayable over 8 years starting on 31st December 2017.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

17. Financial instruments

	2019 £000	2018 £000
Financial assets		
Service concession financial asset	52,848	75,392
Financial assets measured at amortised cost	54,729	64,067
	<u>107,577</u>	<u>139,459</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(141,013)	(143,220)

Financial assets measured at amortised cost comprise of amounts owed by group undertakings, contract assets and other cash.

Financial liabilities measured at amortised cost comprise of loans to group undertakings, accruals and other creditors.

18. Deferred taxation

	2019 £000	2018 £000
At beginning of year	(3,002)	(3,968)
Charged to the profit or loss	3,135	966
At end of year	<u>133</u>	<u>(3,002)</u>

The deferred taxation balance is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	98	(3,035)
Other timing differences	35	33
	<u>133</u>	<u>(3,002)</u>

All of the deferred tax has been recognised through the income statement.

SUEZ Recycling and Recovery Surrey Limited

**Notes to the financial statements
For the Year Ended 31 December 2019**

19. Provisions

	Environ- mental and landfill costs £000
At 1 January 2019	1,453
Charged to profit or loss	(17)
Unwinding of discount rate	90
Utilised in year	(70)
At 31 December 2019	1,456

Environmental and landfill costs

The provision for environmental and landfill costs has been calculated in accordance with the accounting policy set out in note 2.15. The closure costs will be incurred prior to and during the closure of the company's landfill sites, whilst the post closure provision will be utilised over the 60 years thereafter.

20. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018 - 1) ordinary share of £1.00	1	1

This share carries no rights to fixed income or has any preferences or restrictions attached on them.

21. Reserves**Profit & loss account**

Profit & Loss account is distributable reserves made up of retained earnings.

SUEZ Recycling and Recovery Surrey Limited

Notes to the financial statements For the Year Ended 31 December 2019

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £303,000 (2018 - £279,000).

The company participates in SUEZ R&R UK Group defined benefit pension schemes and the pension charge is based on full actuarial valuations dated between 31 December 2018 and 5 April 2019. These are schemes under common control, the assets and liabilities of which are held separately from the Group.

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

The assets in the Group schemes are measured at their fair value at the balance sheet date and overall expected rates of return are established by the directors following discussions with the Group's actuary. The liabilities in the scheme are measured on an actuarial basis using the projected unit method. The net liability of the UK schemes, at 31st December 2019 is £13,634,000 (2018: £10,595,000).

The pension cost charge represents contributions payable by the company to the funds and amounted to £23,000 (2018 - £2,000). It is not anticipated that future pension cost charges in SUEZ Recycling and Recovery Surrey Limited will increase significantly because of the net liability in the Group pension schemes. The total amount expected to be contributed by the SUEZ Recycling and Recovery Holdings UK Limited Group to the schemes in 2020 is £2,801,000 (2019 contributions - £2,773,000).

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**Notes to the financial statements
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23. Post balance sheet events**COVID-19**

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. The company is treating this as a non-adjusting post balance sheet event and therefore the judgements and estimates disclosed in note 3 have not been updated to reflect the impact of this event.

Legal proceedings

Since the balance sheet date Surrey County Council commenced proceedings against the Company on requesting a number of declarations from the Court with the intention of determining if the Council is entitled to terminate the Waste Disposal Project Agreement dated 22 June 1999 on the basis the Company is in Contractor Default. Compensation would be payable to the Company in the event the Council terminated the contract, this amount would be dependent on the date in which the contract was terminated. There is no certainty over whether the court will grant such declarations and therefore this is being treated as a non-adjusting post balance sheet and the judgement made in respect of the service concession financial asset in note 3 have not been updated to reflect the impact of this.

EPC Contractor Settlement

Since the balance sheet date a settlement agreement had been reached between M+W, the EPC Contractor and the Company. This will result in the obligation for the remaining construction related activities at the Eco Park being transferred to the Company. The settlement agreement is being treated as a non-adjusting balance sheet event, although the impact of the agreement on how the remaining construction activities are performed have been factored into the directors judgement in respect of the carrying value of the service concession financial asset in note 3.

Veolia takeover

Since the balance sheet date SUEZ and Veolia boards have announced that they had reached a final agreement on the details of a takeover which includes SUEZ subsidiaries in the UK, including the Company, forming part of Veolia. The agreement is expected to be ratified at the SUEZ Annual General Meeting on 30 June 2021. This has been treated as a non adjusting post balance sheet event.

24. Controlling party

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is SUEZ SA, a company incorporated in France. The parent undertaking of the largest Group, which includes the company and for which Group accounts are prepared, is SUEZ SA, a company incorporated in France.

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

Copies of the Group financial statements of SUEZ SA are available from Tour CB21, 16 Place de L'Iris, 92040 Paris La defense Cedex, France. Copies of the Group financial statements of SUEZ Recycling and Recovery Holdings UK Limited are available from SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

