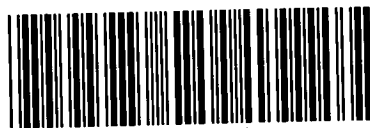


REGISTERED NUMBER: 03525188 (England and Wales)

Mercia Waste Management Limited
Annual Report and Consolidated Financial Statements
for the Year Ended 31 December 2021

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Mercia Waste Management Limited

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for the Year Ended 31 December 2021**

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Mercia Waste Management Limited

**Officers and Professional Advisers
for the Year Ended 31 December 2021**

DIRECTORS:	FCC Environment Services (UK) Limited Urbaser Limited V F Orts Llopis J Peiro Balaguer
SECRETARY:	TMF Corporate Administration Services Limited
REGISTERED OFFICE:	The Marina Kings Road Evesham Worcestershire England WR11 3XZ
REGISTERED NUMBER:	03525188 (England and Wales)
AUDITOR:	Deloitte LLP Statutory Auditor Birmingham B1 2HZ United Kingdom
BANKER:	HSBC Plc PO Box 4 6 Broad Street Worcester WR1 2EJ
SOLICITORS:	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ Harrison Clark Rickerbys LLP 5 Deansway Worcester WR1 2JG

Mercia Waste Management Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their Strategic Report on the affairs of Mercia Waste Management Limited (the "Company") and its subsidiary undertaking, Beacon Waste Limited, (together the "Group"), together with the audited financial statements, for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

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

REVIEW OF THE BUSINESS

The Group's key source of trade arises from a 25-year contract with the County Councils of Herefordshire and Worcestershire ('the Councils') for the management of household and civic amenity waste in the two counties. The contract, which has an extension provision within it, is due to expire in January 2024.

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

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

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

KEY PERFORMANCE INDICATORS

As shown in the Group's Profit and Loss Account on page 12, the Group's turnover increased by 10% compared with the prior year (2020: increased by 1%). The current sales performance for the Group is in line with expectations. Turnover is considered the key performance indicator for the business. The 2021 performance was largely similar to 2020 with a small increase in commercial income due to Covid and improved Plant availability and prices achieved for some recycled materials.

The Group Balance Sheet on page 13 of the financial statements shows the Group's financial position at the year end. The Group's cash levels have decreased by £6,459,865, from £40,468,187 at the end of 2020 to £34,008,322 at the end of the current financial year due to an increase in dividend payments made. The cash balance remains significant and is sufficient for the Group's requirements including those of its Loan Facility. The Group does not have any other key performance indicators other than that outlined above.

RESULTS AND DIVIDENDS

The audited consolidated and Company financial statements for the year ended 31 December 2021 are set out on pages 12 to 30. The Group's profit for the year after taxation was £8,061,220 (2020 - £7,622,744). A total dividend of £14,614,000 (£146.14 per £1 ordinary share) was paid during the year (2020 - £4,678,000 and £46.78 per £1 ordinary share)

Mercia Waste Management Limited

Strategic Report - continued for the Year Ended 31 December 2021

PRINCIPAL RISKS AND UNCERTAINTIES

Contractual Relationship

The majority of the Company's turnover and profit is derived from its contract with the Councils. The contract ends in January 2024 and the Board and Management have continued to work with the Councils to extend this contract on appropriate terms. Significant progress was made toward this goal during the year. Principal risks are identified and assessed by the management team and reviewed by the Board of Directors. Resources are then allocated as appropriate.

Income Generation

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

Relationship with Lender

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

Sales Market Volatility

The Company receives income for the sale of electricity. This market proved to be highly volatile in the second half of the year. The Company has in place contracts for supply (taken out to offset the risk of falling prices) which if fails to supply it must buy in electricity to fulfil the commitment made. The extremely high price of electricity means that these Contracts are currently a financial risk should the Company not be able to supply electricity to the grid. The directors and management are working to mitigate this exposure.

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

Insurance Market Risks

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

Environmental Provisioning Risk

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

Environmental Risks

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

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

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

- The likely consequences of any decision in the long term

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

- The Interest of the Company's employees should the Company take on any staff and those people working on its behalf for Mercia's sister Company Severn Waste Services Limited

The Company does not have any directly employed staff but via Severn appropriate arrangements are in place to ensure all legal and other requirements would be met.

Mercia Waste Management Limited

Strategic Report - continued for the Year Ended 31 December 2021

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

- The need to foster the Company's business relationships with suppliers, customers and others

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

- The impact of the Company's operations on the community and the environment

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

- The desirability of the Company maintaining a reputation for high standards of business conduct

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

- The need to act fairly between members of the Company

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

The directors' approach

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

Key decisions in the year

As stated elsewhere the medium to longer term interests of stakeholders in the Company are directly bound up with the need to secure the five - year contract extension available as part of the original Private Finance Initiative contract. Progress on this matter had been curtailed by the pandemic but during 2021 significant progress was made and the outline terms of a deal agreed. Further Legal and Financial Modelling work is required during 2022 before the Extension can be finally agreed with the Councils. The interests of key stakeholders were reviewed prior to terms being agreed.

COMMUNITY AND ENVIRONMENT

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

BUSINESS RELATIONSHIPS

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

The largest customers are the Councils of Worcestershire and Herefordshire and the Company has regular meetings to ensure its obligations are being fulfilled. The Company encourages feedback from Sites used by residents of the two Counties. The Company has engaged fully in work with the Councils to extend its current Contract, the directors are directly involved in these endeavours.

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

Mercia Waste Management Limited

Strategic Report - continued for the Year Ended 31 December 2021

WITHDRAWAL OF THE UNITED KINGDOM FROM THE EUROPEAN UNION ("BREXIT")

The Company has not suffered a major impact as a result of 'Brexit'. Certain procedures have been put in place in response to the changed circumstances. The directors and senior staff will continue to remain vigilant should any unforeseen problems arise.

EMPLOYEE PARTICIPATION

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

FUTURE DEVELOPMENTS

Results for the year were satisfactory and the Group continues to benefit from its strong contractual base with the two Councils. Management expects the volume of trade for 2022 to continue at similar levels to those experienced in 2021 as volumes experienced in 2021 suffered less of an impact from Covid-19 than might have been expected. The directors note that the Councils have indicated their desire to make savings on the contract with Mercia Waste Management Limited and the potential consequences of this for the Company. These savings, if granted, are likely to lead to a fall in profitability. The directors will seek to ensure that all factors are taken into consideration in the negotiations including the ability of the Company to comply with the terms of its loan facility. As noted above the Company is working toward an extension of the current contract with the Councils, whilst considering the Councils' request for savings.

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



.....
J Peiro Balaguer - Director

The Marina
Kings Road
Evesham
Worcestershire
England
WR11 3XZ

Date: 19th May 2022
.....

Mercia Waste Management Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their Annual Report and audited Group and Company financial statements for the year ended 31 December 2021. The Group and Company's principal activities, review of the business, results and dividends, future developments and principal risks and uncertainties are presented in the Strategic Report and form part of this report by cross reference. There were no material events after the balance sheet date.

DIRECTORS

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

Cash flow and credit risk

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

Liquidity risk

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

DONATIONS

The Company and the Group made no political or charitable donations during the year (2020 - none).

BUSINESS RELATIONSHIPS (Including Customers and Suppliers)

Please refer to the Strategic Report page 4 - Statement in respect of S172 (1) of the Companies Act 2006.

BREXIT

The directors have monitored the impact on the Company of the decision to leave the European Union and have not noted any significant impact. Certain procedures have been put in place in response to the changed circumstances and the directors will continue to remain vigilant in case as yet unforeseen problems arise.

GOING CONCERN

On 21 May 2014, the date that the Variation in respect of the Contract with Councils was agreed, the Group signed a combined Senior Term Loan Facilities Agreement with the County of Herefordshire District Council and Worcestershire County Council. Further details relating to the Facilities Agreement are noted within note 13 to the financial statements. The Group continued to comply with the requirements of the facility during 2021.

The Group's forecasts and projections, taking account of potential changes in trading performance including the outcome of the extension negotiations, show that the Group is able to operate within its current loan facility. The Company continued to trade profitably and generate cash on a timely basis over the period in which the UK was in lockdown as a result of Covid-19.

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

Mercia Waste Management Limited

Directors' Report - continued for the Year Ended 31 December 2021

ENERGY AND CARBON REPORTING

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

The table below shows the details for the current reporting period, and the prior year comparisons. The company has identified that its most significant operational Greenhouse gas emissions arose from the purchase of electricity, and fuel used for transportation purposes. Over the reporting period, the company has been working on reducing its electricity usage by replacing standard light fittings with LED lighting, and the impact from transport has been reduced by the increased use of video conferencing, and further initiatives are being explored for implementation in the coming year.

GHG emissions and energy usage

	Reporting Year 2021	Reporting Year 2020
Mercia Waste Management Ltd		
Energy consumption - electricity (kWh)	2,185,336	2,077,282
Energy consumption - gas (kWh)	535,275	556,195
Energy consumption - diesel (kWh)	10,510,436	11,663,446
Energy consumption - gas oil (kWh)	8,897,403	7,995,329
Energy consumption - petrol (kWh)	0	0
Emissions from activities which the Company owns or controls including combustion of fuel and operation of facilities tCO ₂ e (Scope 1)	2,294	2,061
Emissions from combustion of gas tCO ₂ e (Scope 1)	113	129
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	2,489	2,799
Emissions from purchase of electricity for own use tCO ₂ e (Scope 2)	464	484
Emissions from business travel where company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	9	9
Total gross (scope 1,2,&3) tCO₂e	5,369	5,482
Intensity ratio: Total gross / tonnes waste processed	0.01153	0.01177

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

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

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

It is expected that the current auditors Deloitte LLP will resign following the signature of these Financial Statements, as the audit will transfer to the auditor of the two parent companies, Ernst Young.

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



.....
J Peiro Balaguer - Director

The Marina
Kings Road
Evesham
Worcestershire
England
WR11 3XZ

Date: 19th May 2022

Mercia Waste Management Limited

Directors' Responsibilities Statement for the Year Ended 31 December 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

**Report to the Independent Auditor's to the Members of
Mercia Waste Management Limited**

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mercia Waste Management Limited (the 'parent company') and its subsidiary (the 'group'):

- give a true and fair view of the state of the group and of the parent company's affairs as at 31 December 2021 and of the group result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Profit and Loss Account;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the Related Notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Report of the Independent Auditor's to the Members of Mercia Waste Management Limited - continued

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Valuation and completeness of the aftercare provision. In response to this, we have:
- Reviewed calculations for arithmetical accuracy and constancy, agreeing amounts calculated to the trial balance and validating information where relevant; and
- Held inquiries with management over the reasonableness of inputs into the calculation, in addition to performing sensitivity analysis on key inputs to quantify potential exposure, and obtaining support behind these assumptions used.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

**Report of the Independent Auditor's to the Members of
Mercia Waste Management Limited - continued**

Extent to which the audit was considered capable of detecting irregularities, including fraud - continued

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Lee Highton FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date: 19th May 2022

Mercia Waste Management Limited

**Consolidated Profit and Loss Account
for the Year Ended 31 December 2021**

	Note	2021 £	2020 £
TURNOVER	4	69,958,694	63,577,962
Cost of sales		(48,696,096)	(43,234,924)
GROSS PROFIT		21,262,598	20,343,038
Administrative expenses		(40,278)	(668)
OPERATING PROFIT		21,222,320	20,342,370
Finance costs (net)	7	(8,956,723)	(9,226,662)
PROFIT BEFORE TAXATION		12,265,597	11,115,708
Tax on profit	8	(4,204,377)	(3,492,964)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		8,061,220	7,622,744

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

All activity arose from continuing operations.

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

Mercia Waste Management Limited

**Consolidated Balance Sheet
As at 31 December 2021**

	Note	2021 £	2020 £
FIXED ASSETS			
Tangible assets	9	145,422,078	153,585,977
CURRENT ASSETS			
Debtors: Amounts falling due within one year	11	11,298,392	8,376,671
Cash at bank and in hand		34,008,322	40,468,187
		45,306,714	48,844,858
CREDITORS			
Amounts falling due within one year	12	(28,983,855)	(20,281,564)
NET CURRENT ASSETS		16,322,859	28,563,294
TOTAL ASSETS LESS CURRENT LIABILITIES		161,744,937	182,149,271
CREDITORS			
Amounts falling due after more than one year	13	(128,667,673)	(136,741,167)
PROVISIONS FOR LIABILITIES	14	(16,101,187)	(21,879,247)
NET ASSETS		16,976,077	23,528,857
CAPITAL AND RESERVES			
Called-up share capital	16	100,000	100,000
Profit and loss account		16,876,077	23,428,857
SHAREHOLDERS' FUNDS		16,976,077	23,528,857

The financial statements of Mercia Waste Management Limited, company registration number 03525188, were approved by the Board of Directors and authorised for issue on 19th May 2022 and were signed on its behalf by:



.....
J Peiro Balaguer - Director

Mercia Waste Management Limited

**Company Balance Sheet
As at 31 December 2021**

	Note	2021 £	2020 £
FIXED ASSETS			
Tangible assets	9	145,422,078	153,585,977
Investments	10	641,320	641,320
		<u>146,063,398</u>	<u>154,227,297</u>
CURRENT ASSETS			
Debtors	11	12,963,380	10,001,243
Cash at bank and in hand		34,003,537	40,463,262
		<u>46,966,917</u>	<u>50,464,505</u>
CREDITORS			
Amounts falling due within one year	12	(28,943,501)	(20,241,149)
NET CURRENT ASSETS		<u>18,023,416</u>	<u>30,223,356</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		164,086,814	184,450,653
CREDITORS			
Amounts falling due after more than one year	13	(133,095,493)	(141,168,987)
PROVISIONS FOR LIABILITIES	14	(16,101,187)	(21,879,247)
NET ASSETS		<u>14,890,134</u>	<u>21,402,419</u>
CAPITAL AND RESERVES			
Called-up share capital	16	100,000	100,000
Profit and loss account		14,790,134	21,302,419
SHAREHOLDERS' FUNDS		<u>14,890,134</u>	<u>21,402,419</u>

The profit of the Parent Company for the year ending 31 December 2021 was £8,101,715 (2020: £7,662,981). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of other comprehensive income is presented in respect of the Parent Company.

The financial statements of Mercia Waste Management Limited, company registration number 03525188, were approved by the Board of Directors and authorised for issue on 19th May 2022..... and were signed on its behalf by:



 J Peiro Balaguer - Director

Mercia Waste Management Limited

**Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2021**

	Called-up share capital £	Profit and loss account £	Total £
Balance at 1 January 2020	100,000	20,484,113	20,584,113
Dividends	-	(4,678,000)	(4,678,000)
Profit for the financial year and total comprehensive income	-	7,622,744	7,622,744
Balance at 31 December 2020	<u>100,000</u>	<u>23,428,857</u>	<u>23,528,857</u>
Profit for the financial year and total comprehensive income	-	8,061,220	8,061,220
Dividends	-	(14,614,000)	(14,614,000)
Balance at 31 December 2021	<u><u>100,000</u></u>	<u><u>16,876,077</u></u>	<u><u>16,976,077</u></u>

Mercia Waste Management Limited**Company Statement of Changes in Equity
for the Year Ended 31 December 2021**

	Called-up share capital £	Profit and loss account £	Total £
Balance at 1 January 2020	100,000	18,317,438	18,417,438
Dividends	-	(4,678,000)	(4,678,000)
Profit for the financial year and total comprehensive income	-	7,662,981	7,662,981
Balance at 31 December 2020	<u>100,000</u>	<u>21,302,419</u>	<u>21,402,419</u>
Profit for the financial year and total comprehensive income	-	8,101,715	8,101,715
Dividends	-	(14,614,000)	(14,614,000)
Balance at 31 December 2021	<u>100,000</u>	<u>14,790,134</u>	<u>14,890,134</u>

Mercia Waste Management Limited

**Consolidated Cash Flow Statement
for the Year Ended 31 December 2021**

		2021	Restated
	Note	£	2020
			£
Net cash flows from operating activities	17	10,163,711	23,504,907
Cash flows from investing activities			
Proceeds from sale of equipment		64,750	17,600
Purchase of equipment		(745,624)	(1,687,731)
Interest received		93,183	57,147
Net cash flows used in investing activities		(587,691)	(1,612,984)
Cash flows from financing activities			
Repayment of loan facilities		(7,143,447)	(5,546,900)
Interest paid		(8,892,438)	(9,132,519)
Net cash flows used in financing activities		(16,035,885)	(14,679,419)
Net decrease/(increase) in cash and cash equivalents		(6,459,865)	7,212,504
Cash and cash equivalents at beginning of year		40,468,187	33,255,683
Cash and cash equivalents at end of year		34,008,322	40,468,187

Mercia Waste Management Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2021

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

a) General information and basis of accounting

Mercia Waste Management Limited is a private company limited by shares, registered in England and Wales and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 2 to 5.

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

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

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

b) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The Directors' Report also describes the financial position of the Group; the Group's objectives, policies and processes for managing its capital; and the Group's policies to mitigate its principal risks and uncertainties. From 21 May 2014, the date that the Variation in respect of the EfW Plant was agreed, the Group signed a combined Senior Term Loan Facilities Agreement with the County of Herefordshire District Council and Worcestershire County Council. Further details relating to the Facilities Agreement are noted within note 13 to the financial statements. The Group continued to comply with the requirements of the facility during 2021. Details of loan facilities are included within note 13. These facilities provide for the group's working capital requirements along with its capital expenditure obligations.

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

c) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year. Beacon Waste Limited, the Company's wholly-owned subsidiary, is accounted for at cost less impairment in the Company financial statements.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Mercia Waste Management Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2021

1. ACCOUNTING POLICIES - continued

d) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on tangible fixed assets, using the straight line depreciation method, at rates calculated to write off the cost of each asset over their expected useful lives as follows:

Freehold buildings	22 years
Long leasehold land	25 years
Freehold land landfill site	As utilised
Cell preparation assets	As utilised
Short leasehold land and buildings	2 - 23 years
Long leasehold buildings	25 years
Plant, machinery, vehicles, fixtures, fittings and equipment	2 - 15 years

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

Residual value is calculated on prices prevailing at the date of acquisition.

In respect of the EfW Plant, the residual value is determined by reference to a contracted payment, to be received on termination of the Waste Management Service Contract (if not extended) in January 2024 when the ownership of the Plant will transfer to the Councils.

The landfill site is depreciated over its useful life by reference to the volume of waste deposited during the year and the directors' assessment of the total capacity of the site.

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

e) Fixed asset investments

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

f) Borrowing costs

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

g) Revenue recognition

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

Mercia Waste Management Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2021

1. ACCOUNTING POLICIES - continued

h) Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

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

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

i) Government grants

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

j) Financial instruments

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

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

(i) Financial assets and liabilities

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

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

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

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

Mercia Waste Management Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2021

1. ACCOUNTING POLICIES - continued

j) Financial instruments - continued

(i) Financial assets and liabilities - continued

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

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

(ii) Equity instruments

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

k) Impairment of assets

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

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

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

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

l) Provisions

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

Landfill cell restoration

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

Decommissioning

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

Aftercare

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

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

Landfill liabilities

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

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

The directors considered the Landfill Aftercare Provision in the light of the commencement of operations at the Energy from Waste Plant which will lead to a fall in the tonnage landfilled by the Company. As a result the provision will continue to be built up on the same basis as before but will accrue more slowly in line with the predicted fall in volumes sent to the site. This has not had a material effect on the current year expense or liability.

3. PRIOR YEAR ADJUSTMENT

The comparative Consolidated Cash Flow Statement and Reconciliation of Operating Profit to Net Cash Flows from Operating Activity have been restated to reflect interest paid of £9,132,519 as a financing activity item instead of an investing activity item and dividends paid of £4,678,000 as an operating profit item instead of a financing activity item.

4. TURNOVER

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

	2021	2020
	£	£
Waste management services (including disposal)	42,444,639	39,300,235
Recycling composting electricity and other sales	27,514,055	24,277,727
	<u>69,958,694</u>	<u>63,577,962</u>

Mercia Waste Management Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

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

6. PROFIT BEFORE TAXATION

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

	2021	2020
	£	£
Depreciation of tangible assets	8,869,462	8,749,224
Loss / (profit) on disposal based on fixed asset movement and proceeds of assets sold	(24,689)	18,687
Amortisation of Government grant income	(631,355)	(631,355)
	<u>8,213,428</u>	<u>8,136,556</u>

The analysis of auditor's remuneration is as follows:

	2021	2020
	£	£
Fees payable to the Company's auditor for the audit of Company's annual financial statements	44,500	38,000
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	2,300	2,000
Total audit fees	<u>46,800</u>	<u>40,000</u>

The disclosures above are for the Group. The Company is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the Company because the consolidated financial statements are required to disclose such fees on a consolidated basis. No non-audit fees were incurred by the Group either in the current period or the previous period.

7. FINANCE COSTS (NET)

	2021	2020
	£	£
Interest receivable and similar income	93,183	57,147
Interest payable and similar expenses	(8,892,438)	(9,132,519)
Unwinding of discount on provisions	(157,468)	(151,290)
	<u>(8,956,723)</u>	<u>(9,226,662)</u>

Mercia Waste Management Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

8. TAXATION

Analysis of the tax charge

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

	2021 £	2020 £
<i>Current tax:</i>		
UK corporation tax	3,930,934	420,867
Adjustments in respect of prior years	6,366,653	-
Total current tax	<u>10,297,587</u>	<u>420,867</u>
<i>Deferred tax:</i>		
Origination and reversal of timing difference	(1,727,872)	1,930,785
Adjustments in respect of previous periods	(6,383,734)	(218)
Effect of tax rate change on opening balance	2,018,396	1,141,530
Total deferred tax	<u>(6,093,210)</u>	<u>3,072,097</u>
Total tax on profit	<u><u>4,204,377</u></u>	<u><u>3,492,964</u></u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK.

	2021 £	2020 £
Profit before tax	<u>12,265,597</u>	<u>11,115,708</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,330,463	2,111,985
Effects of:		
Expenses not deductible for tax purposes	428	12,231
Fixed assets differences	286,861	283,551
Effects of changes in tax rates	1,603,707	1,141,530
Other charge	(1)	(56,115)
Adjustments to tax charge in respect of previous period - deferred tax	(6,383,734)	(218)
Adjustments to tax charge in respect of previous periods	6,366,653	-
Total tax charge	<u><u>4,204,377</u></u>	<u><u>3,492,964</u></u>

Finance Act 2020 enacted provision to increase the UK Corporation tax rate to 19% from 1 April 2020 and accordingly the deferred tax at 31 December 2021 was calculated at this rate.

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

Mercia Waste Management Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Long leasehold land £	Freehold land landfill site £	Cell preparation assets £	Short leasehold land and buildings £	Long leasehold buildings £	Plant, machinery, vehicles, fixtures, fittings and equipment £	Assets under construction £	Total £
COST									
At 1 January 2021	95,776	232,252	3,078,046	10,913,313	75,666,828	820,239	129,642,976	75,082	220,524,512
Additions	-	-	-	3,866	-	-	730,488	11,270	745,624
Disposals	-	-	-	-	-	-	(304,767)	-	(304,767)
Transfer	-	-	-	-	-	-	1,895	(1,895)	-
At 31 December 2021	95,776	232,252	3,078,046	10,917,179	75,666,828	820,239	130,070,592	84,457	220,965,369
DEPRECIATION									
At 1 January 2021	20,472	187,300	2,405,671	9,773,541	24,852,596	710,420	28,988,535	-	66,938,535
Charge for year	-	14,984	73,789	455,777	2,935,735	36,685	5,352,492	-	8,869,462
Eliminated on disposals	-	-	-	-	-	-	(264,706)	-	(264,706)
At 31 December 2021	20,472	202,284	2,479,460	10,229,318	27,788,331	747,105	34,076,321	-	75,543,291
NET BOOK VALUE									
At 31 December 2021	75,304	29,968	598,586	687,861	47,878,497	73,134	95,994,271	84,457	145,422,078
At 31 December 2020	75,304	44,952	672,375	1,139,772	50,814,232	109,819	100,654,441	75,082	153,585,977

Included in freehold land and buildings is £75,304 (2020 - £75,304) that has not been depreciated. Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £19,912,401 (2020 - £19,912,401). The Company has agreed to give the EfW Plant to the Councils on the expiry of the Waste Management Service Contract (WMSC). In return the Company will receive a payment of cash. The transaction which was entered into in 2014 accordingly defines the Company's policy for depreciating the asset.

Mercia Waste Management Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

10. INVESTMENTS

Company

	Subsidiary undertakings £
COST	
At 1 January 2021	
and 31 December 2021	641,320
NET BOOK VALUE	
At 31 December 2021	641,320
At 31 December 2020	641,320

The Parent Company owns 100% of the ordinary share capital of Beacon Waste Limited, a non-trading company registered in England and Wales whose registered and principal business address is the same as that of Mercia Waste Management Limited included in page 1.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	9,729,450	7,994,621	9,729,450	7,994,621
Amounts owed by subsidiary undertakings	-	-	1,664,988	1,624,572
Amounts owed by parent undertakings	18,187	31,937	18,187	31,937
Other debtors	1,550,108	350,113	1,550,108	350,113
Prepayments	647	-	647	-
	<u>11,298,392</u>	<u>8,376,671</u>	<u>12,963,380</u>	<u>10,001,243</u>

Amounts owed by subsidiary undertakings are non-interest bearing and repayable on demand.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Borrowings loans (see note 13)	7,442,139	7,143,447	7,442,139	7,143,447
Trade creditors	10,535,589	7,689,867	10,535,589	7,689,867
Amounts owed to related parties (note 21)	4,883,816	2,845,668	4,883,816	2,845,668
Corporation tax	2,640,784	84,579	2,600,430	44,164
Other creditors	868,189	722,619	868,189	722,619
Accrued expenses	1,981,983	1,164,029	1,981,983	1,164,029
Deferred government grants (note 13)	631,355	631,355	631,355	631,355
	<u>28,983,855</u>	<u>20,281,564</u>	<u>28,943,501</u>	<u>20,241,149</u>

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

Mercia Waste Management Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

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

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Other loans (see note 12)	128,049,165	135,491,304	128,049,165	135,491,304
Amounts owed to group undertakings	-	-	4,427,820	4,427,820
Deferred government grants	618,508	1,249,863	618,508	1,249,863
	<u>128,667,673</u>	<u>136,741,167</u>	<u>133,095,493</u>	<u>141,168,987</u>

Borrowings are repayable as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Loans				
Due within one year (note 12)	7,442,139	7,143,447	7,442,139	7,143,447
Between one and five years	128,049,165	135,491,304	128,049,165	135,491,304
After five years	-	-	-	-
	<u>135,491,304</u>	<u>142,634,751</u>	<u>135,491,304</u>	<u>142,634,751</u>
Government grants				
Due within one year (note 12)	631,355	631,355	631,355	631,355
Between one and five years	618,508	1,249,863	618,508	1,249,863
After five years	-	-	-	-
	<u>1,249,863</u>	<u>1,881,218</u>	<u>1,249,863</u>	<u>1,881,218</u>

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

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Total borrowings				
Due within one year	8,073,494	7,774,802	8,073,494	7,774,802
Between one and five year	128,667,673	136,741,167	128,667,673	136,741,167
After five years	-	-	-	-
	<u>136,741,167</u>	<u>144,515,969</u>	<u>136,741,167</u>	<u>144,515,969</u>

The loan facility is split into two components; Facility A, £35m, is repayable in instalments between June 2017 and May 2023. During the year, repayment instalments were made in June and December 2021. Facility B, £128.6m, is repayable by single payment in January 2024.

Interest of 5.48 - 6.31% is calculated daily and rolled up. The interest is repayable alongside the principal loan capital.

The facility is secured via a suite of rights granted to the lender via the Senior Term Loan Facility Agreement and Waste Management Service Contract of 1998 as varied in 2014. The net book value of the EnviRecover EfW Plant is £137,567,256 as at 31 December 2021 (2020 - 141,335,769).

Government grants were received for capital costs incurred in the set up of waste site as well as an amount towards the cost of the EnviRecover Plant. Grants are amortised over the remaining life of the council contract, which expires in January 2024.

Mercia Waste Management Limited

**Notes to the Consolidated Financial Statements - continued
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14. PROVISION FOR LIABILITIES

Group and company	De-commissioning provision £	Restoration provision £	Aftercare provision £	Deferred taxation (note 15) £	Total £
At 1 January 2021	492,840	737,155	7,873,931	12,775,321	21,879,247
Charged to profit and loss account	-	-	157,682	(6,093,210)	(5,935,528)
Adjustment arising from unwinding of discount	-	-	(157,468)	-	(157,468)
At 31 December 2021	<u>492,840</u>	<u>737,155</u>	<u>8,189,081</u>	<u>6,682,111</u>	<u>16,101,187</u>

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

15. DEFERRED TAXATION

The deferred taxation liability is provided as follows:

	2021 £	2020 £
Group and company		
Accelerated capital allowances	9,491,073	(13,024,500)
Short term timing differences	(312,411)	237,505
Tax losses carried forward and other deductions	(2,496,551)	11,674
	<u>6,682,111</u>	<u>(12,775,321)</u>

Deferred tax assets recoverable after one year of £2,808,962 (2020 - £249,179) and deferred tax liabilities payable after more than one year of £9,491,073 (2020 - £13,024,500) are offset as the Group has a legally enforceable right to do so and they relate to income taxes levied by the same taxation authority.

The timing difference on Capital Allowances will crystallise at expiry of the Contract when the Company is in receipt of an agreed sum for the Energy from Waste Plant.

16. CALLED UP SHARE CAPITAL AND RESERVES

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £	2020 £
100,000	Ordinary shares	£1	<u>100,000</u>	<u>100,000</u>

Dividends paid in the year to shareholders were £14,614,000 (2020: £4,678,000).

Profit and loss account represents cumulative profit and loss, net of dividend paid and other adjustments.

Mercia Waste Management Limited

**Notes to the Consolidated Financial Statements - continued
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17. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITY

	2021	Restated 2020
	£	£
Operating profit	21,222,320	20,342,370
Depreciation charges	8,869,462	8,749,224
(Profit) / loss on disposal of fixed assets	(24,689)	18,687
Amortisation of Government grant income	(631,355)	(631,355)
Operating cash flow before movement in working capital	29,435,738	28,478,926
(Increase) in debtors	(2,921,721)	(1,189,039)
Increase in creditors	4,036,574	756,905
Increase in provision	157,682	238,872
Net cash inflow from operating activities	30,708,273	28,285,664
Corporation tax paid	(5,930,562)	(102,757)
Dividends paid	(14,614,000)	(4,678,000)
Cash generated from operations	10,163,711	23,504,907

18. FINANCIAL INSTRUMENTS

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Financial assets (note 10)				
Measured at amortised cost:				
Trade and other debtors	11,280,205	734,811	11,280,205	734,811
Amounts owed by parent undertakings	18,187	26,388	1,683,175	1,650,960
	<u>11,298,392</u>	<u>761,199</u>	<u>12,963,380</u>	<u>2,385,771</u>
Financial liabilities				
Measured at amortised costs:				
Loans payables (see note 13)	136,741,167	144,515,969	136,741,167	144,515,969
Measured at undiscounted amount payable:				
Trade and other creditors (see note 12)	16,026,545	2,045,622	15,986,191	2,005,207
Amounts owed to group undertaking (see note 12)	-	-	4,427,820	4,427,820
Amounts owed to related parties (see note 12)	4,883,816	2,845,668	4,883,816	2,845,668
	<u>157,651,528</u>	<u>149,407,259</u>	<u>162,038,994</u>	<u>153,794,664</u>

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

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Interest income and expense				
Total interest expenses for financial liabilities at amortised cost	(8,892,438)	(9,132,519)	(8,892,438)	(9,132,519)
Total interest income for financial assets at amortised cost	93,183	57,147	93,183	56,874

Mercia Waste Management Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2021

19. FINANCIAL COMMITMENTS

At 31 December 2021, contracted capital commitments in the Group and in the Company amounted to £662,565 (2020 - £308,307).

Capital commitments relate primarily to final stage payments due on completed capital projects.

20. ULTIMATE CONTROLLING PARTY

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

The shares owned by FCC Environment Services (UK) Limited were transferred to FCC Recycling (UK) Limited after the period ending 31 December 2021.

21. RELATED PARTY TRANSACTIONS

Trading transactions

The Group and Company previously appointed Severn Waste Services Limited, a fellow company under common control of the two joint ownership parties, to operate all of the Group's and Company's planned and existing waste management installations under the terms of an Operating and Maintenance Agreement. Severn Waste Services Limited is responsible for performing the obligations of the Group and Company, and received a fee of £36,729,642 (2020 - £33,782,116) for this in the year.

The trading balance owed to Severn Waste Services Limited by the Group and Company at 31 December 2021 was £3,096,005 (2020 - £2,845,668).

The trading balance owed to Urbaser Limited by the Group and Company at 31 December 2021 was £1,787,811 (2020: £nil).

FCC Environment Services (UK) Limited and Urbaser Limited are the joint venture shareholders of Mercia Waste Management Limited. The Company invoiced waste disposal charges to FCC Environment Services (UK) Limited of £49,461 (2020 - £63,942) in the year. The amount owed to the Company by FCC Environment Services (UK) Limited at 31 December 2021 was £18,187 (2020 - £26,388) and £5,613 (2020 - £5,549) was included in accrued income at the year end in relation to revenue from FCC Environment Services (UK) Limited. The Company invoiced waste disposal charges to Urbaser Limited of £nil (2020 - £nil) in the year.

Other related party transactions

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

The shares owned by FCC Environment Services (UK) Limited were transferred to FCC Recycling (UK) Limited after the period ending 31 December 2021.