RENEWI UK SERVICES LIMITED

Registered number 02393309

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2020

CONTENTS

RENEWI UK SERVICES LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for the Company for the year ended 31 March 2020.

Principal activities, business review and future outlook

The principal activities of the Company during the year were the operation of waste processing and disposal services for local authorities and industry.

Revenue on continuing operations was consistent with last year at £166,051,000 (2019: 2% decrease to £166,053,000).

Despite revenue remaining static the Company saw gross profit before exceptionals increasing by 15% (2019: 32%). However, operating losses before exceptional items were £3,501,000 (2019: £814,000). The improvement reflected the reporting of losses at ELWA from 1 January 2020 as an onerous contract along with improvements achieved through execution of planned portfolio management and improved operational performance offset by a lower contribution from the Derby contract and one-off upsides in the prior year.

The introduction in the Netherlands on 1 January 2020 of a €32 per tonne tax on the import of burnable waste from the UK necessitated a £21,898,000 charge at our ELWA municipal contract comprising of £13,330,000 onerous contract provision and an impairment of £8,568,000 of right-of-use assets.

As at 31 March 2020 as a result of the fall in Government bond yields the discount rates used to compute onerous, landfill and aftercare provisions were reduced which resulted in an exceptional charge of £4,504,000 and a corresponding increase in the provisions.

A warranty provision of £2,000,000 held in relation to the disposal of a site in previous year was no longer required and was released to administrative expenses.

The total comprehensive expense for the financial year transferred to reserves was £30,642,000 (2019: £40,814,000). Net liabilities at the end of the year were at £169,702,000 (2019: £136,444,000).

Key performance indicators (KPIs)

	2020	2019
No movement/(decrease) in revenue - continuing operations	0%	(2)%
Increase in gross profit before exceptional items	15%	32%
Gross profit margin - before exceptional items	8%	7%
Total amount of waste handled ('000 tonnes)	1,372	1,390
Percentage of waste recovered or recycled	84%	85%

The Renewi plc Sustainability Report 2020 details environmental, health and safety and human resources performance data for the Group for the year ended 31 March 2020.

Principal risks and uncertainties

The Company's ultimate controlling parent is Renewi plc. Risks are managed at a group level in accordance with the risk management framework of Renewi plc. The principal risks and uncertainties of Renewi plc are discussed in its Annual Report and Accounts for the year ended 31 March 2020.

Section 172(1) Statement

When making decisions, the Directors of the Company must act in the way they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business. Throughout the year, while discharging their duties, section 172(1) requires a director to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the company.

In discharging their section 172(1) duties the Directors have had regard to the factors set out above, as well as other factors relevant to the decision being made. The Directors, as a whole, acknowledge that every decision made will not necessarily result in a positive outcome for all stakeholders. By considering the Company's corporate purpose and strategic priorities the Directors aim to ensure that the decisions made are consistent and intended to promote the Company's long-term success. The Company engaged with key stakeholders throughout the year to understand the issues and factors that are significant for these stakeholders (the methods of engagement are shown in the stakeholder map below). Over the course of the year the Directors received numerous updates over the various engagement activities outlined in the stakeholder map, providing the Directors with an understanding of the initiatives the Company undertakes, and the relationships between its stakeholders.

Stakeholder	How we engage	Their concerns	How we respond
Local authorities– our ultimate key customers	• We engage with local authorities with our Special Purpose Vehicle (SPV) partners through regular performance updates. • We engage with other public employees and members of the public to help them understand how we add value through our long term contracts.	• To meet contractual performance obligations. • Ensure facilities are subject to, and adhere to, regulations.	• We meet or exceed our performance obligation, mainly through the efficient processing of waste. • We work with regulatory bodies such as the Environment Agency. • By providing educational resources and events to the public.
SPV investors	• We provide regular information to the SPV to ensure that it understands our performance. • Hosting site visits.	• To understand the performance and prospects of each of our projects against contractual requirements.	• Clear reporting through our role as management services administrator for the SPVs.

Regulators	• We engage directly with regulators:
	  • through meetings, site inspections, testing, and data submissions
	  • through trade and industry associations.
		• That the project meets or exceeds the permitted environmental standards.
		• Continue to evolve and define standards and address topical concerns.
			• We ensure that we are compliant with regulators.
			• We respond to any breaches appropriately.
			• We support regulators with expert advice on handling and processing significant waste streams such as black refuse waste and HWRCs.

Suppliers	• We contract with our suppliers on agreed terms. • The Renewi plc group modern slavery statement describes the steps taken to prevent modern slavery within our supply chains	• Creating long term collaborative and trusting partnerships.	• We are a fair counterparty to our suppliers and seek to foster good relationships with them. • Ensuring that payment terms are adhered to.

Stakeholder	How we engage	Their concerns	How we respond
Communities	• We engage with communities at large through our community liaison groups. • We run educational programmes focused around separation via third parties/ organisations. • We support employment and development opportunities of our employees, many of which will live close to our sites.	• Our communities want the essential services delivered consistently with minimal negative impact to their local environments. • Our communities are interested in better understanding recycling and its impact to environment. • Our communities are looking out for a range of roles and some are interested specifically in the waste management industry given its importance to environment.	We support local communities by: • Meeting or exceeding contract targets for managing and treating waste. • Holding regular community events every year. • Providing local employment opportunities both directly (see below) and through supply chain.
Employees	• We have put in place policies and procedures to support the safety and well-being of all of our staff. • The Directors make numerous site visits throughout the year to directly address our employees' issues and to discuss them face to face	• The overall working environment and conditions including excellent standards of safety during their work. • Personal development and opportunities for career development. • Clarity of communication and organisational objectives.	• We continue to focus on and invest in safety and embed it as the cornerstone of our culture. • We support physical and mental well-being of staff. • Staff development, opportunities and continued annual performance reviews. • Regular meetings with clear line management structures. • We hold regular employee surveys to better understand employees evolving concerns and considerations.

Business relationships

Pursuant to Companies (Miscellaneous Reporting) Regulations 2018, the Directors' report for the financial year must contain a statement summarising how the Directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

In the Section 172 statement we have identified and summarised the methods used by the Directors to foster the company's business relationships with suppliers, customers and others.

We define 'Principal Decisions' as decisions and discussions that are material or strategic to Renewi UK Services Limited (RUKS), and also those that are significant to any of our stakeholder groups. We consider the following items to be examples of Principal Decisions made by the Directors during 2019/20:

Long-term offtake contracts

Following the introduction of import tax on the import of burnable waste from the UK by the Netherlands, we took a decision to terminate long-term contracts with offtakers in the Netherlands.

Fire Improvement Works

Following a high number of fires in the waste and recycling sector, and the increasing costs of such fires as the level of infrastructure employed in providing such services increases, there is a requirement from insurers to improve the fire detection and prevention equipment at facilities we operate in. Although the liability for providing such improvements does not generally lie with us, we work collaboratively with our partners to ensure that such work can be performed effectively and efficiently whilst mitigating any impact on our waste management and recycling services for our Local Authorities and their communities.

STRATEGIC REPORT - continued

Derby and Derbyshire municipal waste treatment services

Following the termination of the waste Public-Private Partnership (PPP) project we continue to support both Derby and Derbyshire Councils with the treatment of their household waste. By doing so, we have ensured that there was a seamless transition of service for the Councils and their communities as well as providing continuity for our employees and suppliers.

Employee Engagement

Pursuant to Companies (Miscellaneous Reporting) Regulations 2018, the Directors' report for a financial year must contain a statement summarising; how the Directors have engaged with employees; and how the Directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

Pulse surveys are carried out to understand the mood of employees and their attitude towards Renewi as an employer. The data analysis includes the calculation of a net promoter score estimating the likelihood of staff to recommend Renewi as an employer. The results and analysis of Pulse surveys are reported to the Directors to allow them to monitor any changes in attitudes.

We have discussed how we have had regard to the interests of employees within the principal decisions taken by the Company over the course of the financial year.

Streamlined Energy and Carbon Reporting (SECR)

The energy usage of the Company is reported within the Renewi plc Sustainability Report available on the Renewi plc website.

Future outlook

The UK formally left the EU on 31 January 2020 and immediately entered into an 11-month transition period which ends this year. The terms on which the United Kingdom may withdraw from the European Union are not clear. As such it is difficult to estimate what the potential implications are for the company and its stakeholders.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home). At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

The core focus is on continuing to improve the operating performance of the remaining assets to reduce cash losses and create a platform for future growth. Looking forward, the UK remains a dynamic marketplace beyond the Municipal sector, poised for further transition towards a circular economy.

On behalf of the board

A A Verberne
Director
27 August 2020

Registered office
Dunedin House
Auckland Park
Mount Farm
Milton Keynes
Buckinghamshire
MK1 1BU
Registered number: 02393309

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

Dividends

During the year dividends of £277,340 (2019: £200,000) were received from an associate.

The Directors do not recommend payment of a final dividend (2019: £nil).

Directors

The directors who held office during the year, and up to the date of signing the financial statements except where stated, were as follows:

T R Woolrych	
J A Priestley	
A A Verberne	(Appointed 1 April 2020)
N R Miles	(Resigned 31 March 2020)

Employment policies

There is a continuing commitment in the Company to provide employees with information and undertake consultation on matters of concern to them with a view to ensuring an awareness of the financial and economic factors affecting the performance of the Company. The procedures adopted involve both formal and informal meetings with employees and their representatives.

Awards and Options have been granted under the Renewi plc Long Term Incentive Plan and the Renewi plc Savings-Related Share Option Scheme. Full details of these Schemes are shown in the Annual Report and Accounts of Renewi plc for the year ended 31 March 2020.

It is the continuing policy of the Company to provide employment for disabled people and employees who become disabled provided it is practical to offer suitable work. The training, career development and promotion of disabled employees are undertaken whenever possible, in accordance with the needs of the individuals concerned.

Financial risk management

A discussion of the objectives and policies employed in managing risk and the Company's use of financial instruments can be found in the Renewi plc Annual Report and Accounts for the year ended 31 March 2020.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP will not be reappointed as auditors and therefore will step down from office. BDO LLP will be appointed as successor auditors for the next financial year.

Future developments

Future developments have been discussed on page 5 within the Strategic Report.

Going concern

The financial statements are prepared on a going concern basis, as it is the intention of Renewi plc to take steps to make arrangements for present, future or contingent obligations of the Company, both for capital and interest, to be met for the foreseeable future.

COVID-19 is not expected to have a significant impact on the entity. Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern.

RENEWI UK SERVICES LIMITED

DIRECTORS' REPORT - continued

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Statement of disclosure of information to independent auditors

In the case of each Director in office at the date the Directors' Report is approved:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(b) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

A A Verberne
Director
27 August 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENEWI UK SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Renewi UK Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2020; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENEWI UK SERVICES LIMITED - continued

Reporting on other information - continued

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENEWI UK SERVICES LIMITED - continued

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Matthew Mullins (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 August 2020

RENEWI UK SERVICES LIMITED
REGISTERED IN ENGLAND NUMBER 02393309

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue	3	166,051	166,053
Cost of sales (including exceptional items)		(170,872)	(162,826)
Gross (loss)/profit		(4,821)	3,227
Administrative expenses (including exceptional items)		(23,150)	(43,571)
Other operating income	5	68	125
Operating loss	4	(27,903)	(40,219)
Operating loss before exceptional items		(3,501)	(814)
Exceptional items	4	(24,402)	(39,405)
Operating loss after exceptional items		(27,903)	(40,219)
Income from shares in investments	8	277	200
Finance income	9	136	203
Finance expenses	10	(3,633)	(3,307)
Loss before taxation		(31,123)	(43,123)
Tax on loss	11	481	2,309
Loss for the year		(30,642)	(40,814)
Loss for the financial year		(30,642)	(40,814)
Total comprehensive expense for the year		(30,642)	(40,814)

Loss for the year related to continuing operations.

The notes on pages 14 to 36 form an integral part of these financial statements.

RENEWI UK SERVICES LIMITED
REGISTERED IN ENGLAND NUMBER 02393309

BALANCE SHEET
As at 31 March 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	12	1,309	1,466
Property, plant and equipment	13	616	844
Right-of-use assets	14	1,496	-
Investments	15	451	451
Trade and other receivables	16	46	434
Deferred tax assets	17	7,236	6,000
		11,154	9,195
Current assets			
Inventories	18	2,001	1,799
Trade and other receivables	16	31,285	21,848
Current tax receivable		1,232	1,452
Cash		5,760	-
		40,278	25,099
Total assets		51,432	34,294
Liabilities			
Non-current liabilities			
Other non-current liabilities	19	(1,871)	(1,706)
Provisions	20	(66,607)	(57,629)
Borrowings	21	(14,119)	-
		(82,597)	(59,335)
Current liabilities			
Trade and other payables	19	(122,049)	(87,356)
Provisions	20	(14,700)	(23,160)
Borrowings	21	(1,788)	(887)
		(138,537)	(111,403)
Total liabilities		(221,134)	(170,738)
Net liabilities		(169,702)	(136,444)
Equity			
Share capital	22	54,240	54,240
Share premium account		108,177	108,177
Accumulated losses		(332,119)	(298,861)
Total shareholders' deficit		(169,702)	(136,444)

The notes on pages 14 to 36 form an integral part of these financial statements.

The financial statements on pages 11 to 36 were approved by the Board of Directors on 27 August 2020 and were signed on its behalf by:

A A Verberne
Director

RENEWI UK SERVICES LIMITED
REGISTERED IN ENGLAND NUMBER 02393309

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Share capital £'000	Share premium account £'000	Accumulated losses £'000	Total deficit £'000
Balance at 1 April 2018	54,240	108,177	(258,047)	(95,630)
Total comprehensive expense for the year				
Loss for the financial year	-	-	(40,814)	(40,814)
Total comprehensive expense for the year	-	-	(40,814)	(40,814)
Balance at 31 March 2019	54,240	108,177	(298,861)	(136,444)

	Share capital £'000	Share premium account £'000	Accumulated losses £'000	Total deficit £'000
Balance at 31 March 2019	54,240	108,177	(298,861)	(136,444)
Change in accounting policy (note 28)	-	-	(2,616)	(2,616)
Restated total equity at 1 April 2019	54,240	108,177	(301,477)	(139,060)
Total comprehensive expense for the year				
Loss for the financial year	-	-	(30,642)	(30,642)
Total comprehensive expense for the year	-	-	(30,642)	(30,642)
Balance at 31 March 2020	54,240	108,177	(332,119)	(169,702)

The notes on pages 14 to 36 form an integral part of these financial statements.

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except where noted.

General information

Renewi UK Services Limited (the "Company") is a private Company limited by shares, incorporated and domiciled in the United Kingdom. The address of the registered office is given in the Strategic Report.

The Company's ultimate parent undertaking, Renewi plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Renewi plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Dunedin House, Auckland Park, Milton Keynes, Buckinghamshire, MK1 1BU.

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets and financial instruments, in accordance with applicable law, the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework (FRS 101)'. The presentation currency of these financial statements is sterling and all amounts have been rounded to the nearest £1,000.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRSs"), but make amendments where necessary to comply with Companies Act 2006 as applicable to companies reporting under FRS 101.

The Company is a qualifying entity and has applied the following disclosure exemptions in the preparation of the financial statements under FRS 101:

- a Cash Flow Statement and related notes;
- disclosures in respect of related party transactions for wholly owned subsidiaries within a group;
- disclosures in respect of capital management;
- disclosures in respect of financial instruments under IFRS 7;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel;
- disclosures of transactions with a management entity that provides key management personnel services to the company;
- the requirements of second sentence of paragraph 110 and paragraphs 113 (a), 114, 118, 119 (b), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- comparative period reconciliations for property, plant and equipment and Intangible assets.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company adopted IFRS 16 Leases from 1 April 2019. This has been discussed in detail in note 28. There were no other new standards, amendments to standards or interpretations adopted for the first time for the Company's financial period beginning 1 April 2019 that had a significant impact on these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1 Accounting Policies - continued

Going concern

The financial statements are prepared on a going concern basis, as it is the intention of Renewi plc to take steps to make arrangements for present, future or contingent obligations of the Company, both for capital and interest, to be met for the foreseeable future.

Revenue recognition

Revenue

IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. The majority of the Company's revenue is generated from the performance obligation to the customer to collect and process the waste.

This represents a single performance obligation and is recognised at a point in time when the waste is collected and accepted by the Company.

Under IFRS 15 revenue is defined as income arising in the course of the Company's ordinary waste collection and processing activities and is recognised when the control of goods or services transfer and is allocated to individual performance obligations. Revenue represents the fair value of consideration received or receivable, including landfill tax but excluding value added tax and discounts for goods and services provided in the normal course of business. Revenue is recognised when it can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenue recognition criteria for the key types of transactions are as follows:

- waste processing services - where the Company's revenue contract includes an obligation to process waste and revenue is recognised as processing occurs;
- sales of recyclate materials and products from waste - revenue is based on contractually agreed prices and is recognised when the risks and rewards have passed to the buyer; and
- Income from power generated from gas produced by processes at anaerobic digestion facilities and landfill sites is recognised at the time of supply based on the volumes of energy produced and an estimation of the amount to be received.

Accrued income

Accrued income at the balance sheet date is recognised at the fair value based on contractually agreed prices. It is subsequently invoiced and accounted for as a trade receivable.

Deferred revenue

Under the terms of the PPP/PFI contracts, the Company holds sub-contract agreements to maintain the infrastructure such that it is handed over at the end of the contract by the fellow group or related party undertaking to the local authority in good working order. Where such expenditure is required to fulfil these obligations, constitutes major refurbishments and renewals (lifecycle expenditure), and the amounts recoverable from the fellow group/related party undertaking falls short of the amounts required to discharge the obligation, a deduction from revenue is recorded for the best estimate of these costs as the facility is used.

Unprocessed waste

Unprocessed waste may give rise to deferred revenue, where invoices to customers are raised in advance of performance obligations being completed, or an accrual for the costs of disposing of residual waste is created once the Company has an obligation for its disposal. These amounts are shown in deferred revenue or accruals in the financial statements as appropriate.

1 Accounting Policies - continued

Finance expenses

Finance charges comprise interest payable on intercompany loans and the unwinding of discounts on provisions held. Interest expense is recognised using the effective interest method.

Finance income

Finance income comprises interest receivable on bank balances and related party loans. Interest income is recognised using the effective interest method.

Dividends

Dividend income is recognised when the right to receive payment is established.

Intangible assets

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition and is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to those CGUs (Cash Generating Units) or groups of CGUs that are expected to benefit from the synergies of the business combination. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is charged immediately to profit or loss and is not reversed in a subsequent period.

Contract rights

Where the Company has secured the construction and long term operations and maintenance sub-contracts from fellow group undertakings, which hold Private Finance Initiative (PFI) and Public Private Partnership (PPP) contracts, additional costs incurred on the construction sub-contract, which are not recoverable from the PFI and PPP contracts, are capitalised as an intangible asset.

For intangible assets arising in respect of long term PFI and PPP contracts, the asset is written off over the life of the related operating and maintenance sub-contract, which may exceed 20 years, and impairment reviews take place in accordance with IAS 36.

Computer software

Computer software is amortised over 1 to 5 years.

Property, plant and equipment

Property, plant and equipment, except for freehold land and assets under construction, is stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Freehold land and assets under construction are not depreciated. The asset's residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Buildings, plant and machinery

Depreciation is provided on these assets to write off their cost (less the expected residual value) on a straight line basis over the expected useful economic lives as follows:

Buildings	3 to 30 years
Plant and machinery	3 to 10 years

1 Accounting Policies - continued

Property, plant and equipment - continued

Leasehold land and buildings

Leasehold land and buildings are written off over the term of the lease.

Right-of-use assets

The Company adopted IFRS 16 Leases from the transition date of 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated. The standard has resulted in most leases being recognised on the Balance Sheet together with the rights to control the use of an identified asset which are recognised as right-of-use assets. Adjustments arising from applying the new standard have been recognised in the Balance Sheet on 1 April 2019 and full impact details are set out in note 28.

Right-of-use assets are recognised at the lease commencement date and are initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The Company has measured all the right-of-use assets on transition date to be equal to the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option, then the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those in property, plant and equipment. The lease liability is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase extension or termination option or if there is a revision to fixed lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Right-of-use assets are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable following the same approach as property, plant and equipment.

Investments

Investments are stated at cost in the balance sheet less any provision for impairment in value.

Inventories

Inventories are stated at the lower of cost and net realisable value on a first in first out basis.

Provisions

Provisions are recognised where there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material the value of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rates are reviewed at each year end with consideration given to appropriate market rates and the risk in relation to each provision. The unwinding of the discount to present value is included within finance costs.

Aftercare provision

Post closure of landfill sites, including items such as monitoring, gas and leachate management and licensing, have been estimated by management based on the current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and technology. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of approximately 30 years from closure of the relevant landfill site.

1 Accounting Policies - continued

Other provisions

Provision for other foreseen expenses, including restructuring, legal and damages.

Onerous contract provisions

Onerous contract provisions are recognised when under a contract the unavoidable costs of meeting the obligation exceed the economic benefits expected to be received.

Discounting

Long term provisions are calculated based on the net present value (NPV) of estimated future costs. The effects of inflation and unwinding of the discount element on existing provisions are reflected in the financial statements as a finance charge.

Discount unwind receivable in the future is recorded based on the NPV of future receipts. The unwind of the discount is reflected in the financial statements as finance income.

Retirement benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A small number of the Company's employees are members of West Yorkshire Pension Fund defined benefit scheme and Group's defined benefit pension scheme. The Group's defined benefit pension scheme is now closed to new entrants and from 1 December 2019 the Scheme was closed to future benefit accrual following a formal consultation. The Company is unable to identify its share of the assets and liabilities of both the schemes and is permitted under IAS 19 (revised) Employee Benefits to treat this section of the schemes as a defined contribution scheme. Further details are set out in note 23. Pension costs are charged to profit or loss as the payments to the scheme falls due.

Taxation

Current tax

Current tax is based on taxable profit or loss for the year. Taxable profit differs from profit before tax in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The asset or liability for current tax is calculated using tax rates and laws that have been enacted, or substantively enacted, at the balance sheet date.

Deferred tax

Deferred tax is recognised in full where the carrying value of assets and liabilities in the financial statements is different to the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that have been substantively enacted at the balance sheet date. Deferred tax provisions have not been discounted.

Deferred tax liabilities are not provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements as the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

1 Accounting Policies - continued

Deferred tax - continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Foreign currencies

Balance sheet items in foreign currencies are translated into sterling at the year end exchange rates. Exchange differences on these and any other trading transactions in foreign currency are dealt with in profit or loss.

Deferred consideration

Deferred consideration is provided for at the NPV of the Company's expected receipt at the date of disposal. Any differences between consideration accrued and consideration received is charged or released to profit or loss.

Financial instruments

Trade receivables and Accrued Income

Trade receivables do not carry interest and are recognised initially at their fair value and are subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected allowance for all trade receivables and accrued income. The ECL on trade receivables and accrued income is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtor operates and an assessment of both the current and forecast conditions at the reporting date. The expected credit loss rates are based on the payment profiles of revenue and the corresponding historical credit losses experienced.

There have been no changes in the estimation techniques or significant assumptions during the current reporting period. However, we have given additional consideration to impact as a result of COVID-19. In the current year outstanding receivables have been reviewed on a detailed customer by customer basis taking into account the sector in which they operate, the available government support and the likelihood of default.

The UK Government's Infrastructure and Projects Authority has issued guidance in relation to COVID-19 and the provision of services under PPP contract in which it stated that the contractors are part of the public sector response to COVID-19 and that the contracting authorities should work closely with PPP contractors to maintain service and to ensure the unitary charge payments are maintained. Given that significant majority of receivables are from such contracts, the expected credit loss risk is minimal.

Financial assets

The Company classifies and measures its financial assets at amortised cost or at fair value (through profit or loss).

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

1 Accounting Policies - continued

Financial assets- continued

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade payables

Trade payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less.

Other receivables and other payables

Other receivables and other payables are initially recognised at fair value and subsequently measured at amortised cost.

2 Key accounting judgements and estimates

The preparation of financial statements in accordance with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes.

Impairment of intangible and tangible assets

In conducting the impairment review on goodwill, intangible assets and tangible assets, management is required to make estimates of pre-tax discount rates, future profitability and growth rates.

Exceptional items

Exceptional items are disclosed separately due to their size or incidence to enable better understanding of performance. These include, but are not limited to, significant impairments, significant restructuring of the activities of an entity including employee associated severance costs, acquisition and disposal related transaction costs, integration costs, synergy delivery costs, significant fires, the impact of changing discount rate on provisions, onerous contracts, profit or loss on disposal of properties or subsidiaries, as these are irregular, and amortisation of acquisition intangibles. Exceptional items are considered individually and assessed at each reporting period.

Provisions

Onerous contract provisions arise when the unavoidable costs of meeting contractual obligations exceed the cash flows expected. The provisions have been based on the best estimate of likely future cash flows including assumptions on tonnage inputs, plant performance and recyclates pricing. A discount is applied to recognise the time value of money and is unwound over the life of the provision. Further information is set out in note 20.

Right-of-use assets and lease liabilities

Significant judgements were made in calculating the discount rates used on the date of initial application of IFRS 16 Leases. The discount rate for specific components of the total lease portfolio is determined using an incremental borrowing rate the Company may agree with third parties.

2 Key accounting judgements and estimates - continued

Impact of COVID-19

Management used judgement to determine the expected impact on financial instruments as a result of the COVID-19 pandemic. In addition management have adjusted the future cash flows of cash generating units when undertaking impairment reviews and have taken the expected impact of COVID-19 into account when assessing the recoverability of deferred tax assets.

Taxation

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon management's judgement that it is probable that there will be taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future.

3 Revenue

The revenue is wholly attributable to the Company's business of waste management in the United Kingdom.

4 Operating loss

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
The operating loss is stated after charging:				
Depreciation of property, plant and equipment		335		574
Amortisation of intangible assets		271		383
Depreciation of right-of-use assets		1,021		-
Expense relating to short term leases		216		-
Expense relating to low-value assets		63		-
Income from subleasing right-of-use assets		68		-
Repairs and maintenance expenditure		13,875		14,618
Auditors' fees for audit services		116		69
Exceptional items				
Onerous contract provisions	15,834		7,312	
Impairment of right-of-use assets	8,568		-	
Other contract issues	-		14,088	
Impairment of intangible assets	-		11,809	
Impairment of property, plant and equipment	-		828	
Impairment of investments	-		31	
Rebranding	-		70	
Impairment of receivables	-		5,267	
Total Exceptional items		24,402		39,405

Exceptional costs

Onerous contract provision
The introduction in the Netherlands on 1 January 2020 of a €32 per tonne tax on the import of burnable waste which has and will continue to increase offtake costs until new outlets can be found together with an expected impact of Brexit which will increase haulage and tariff costs necessitated a recognition of £13,330,000 onerous contract provision as our ELWA municipal contract turned onerous. This is partially offset by release of £2,000,000 in relation to an earlier sale which is now no longer required.

As at 31 March 2020 as a result of fall in Government bond yields the discount rates used to compute onerous, landfill and aftercare provisions were reduced which resulted in an exceptional charge of £4,504,000 and a corresponding increase in the provisions.

4 Operating loss - continued

The prior year charge of £7,312,000 comprised of £1,574,000 new provision at ELWA due to anticipated additional costs which was partially offset by a release of £762,000 for the Elstow contract where a renegotiation had resulted in the provision set up in the year before to be no longer required and a provision of £6,500,000 in relation to Derby due to significant risk around the uncertainty of the contract to cover ongoing losses and assumed termination costs in the event that the project fails.

A charge of £17,834,100 (2019: £8,074,000) is recorded in cost of sales and a credit of £2,000,000 (2019: £762,000) is recorded within administrative expenses.

Impairment of right-of-use assets
Following review of long-term profitability of the Company's operating contract at ELWA, right-of-use assets of £8,568,000 were impaired as the contract turned onerous on 1 January 2020 following introduction of a €32 per tonne tax in the Netherlands on the import of burnable waste.

Other contract issues
In the prior year the Derby facility was two years late in commissioning and having recognised a significant risk that the facility could not be commissioned in a timely manner a loss allowance was charged against £9,928,000 of delay damages which we believe to be owed to the Company by the constructor Interserve but have remained unpaid and accelerated a charge in relation to a prepayment of £4,160,000. The full charge of £14,088,000 was recorded in administrative expenses.

On 2 August 2019 the contract between Derby City and Derbyshire County councils and Resource Recovery Solutions (Derbyshire) Holdings Limited terminated. Resource Recovery Solutions (Derbyshire) Holdings Limited entered into administration on 4 September 2019.

Impairment of intangible assets
In the prior year impairment of intangible assets included a charge of £2,728,000 following a review of the long-term profitability of the Company's operating contract at ELWA. Due to the uncertainty around Derby as discussed above, all contract rights of £9,081,000 in relation to the contract were impaired. The charge was recorded within administrative expenses.

Impairment of property, plant and equipment
In the prior year following a review of the long-term profitability of the Company's operating contract at ELWA the related property, plant and equipment were impaired by £828,000. The full charge was recorded within administrative expenses.

Impairment of investments
In the prior year an impairment of investment in subsidiaries of £31,000 in relation to the investment in Safewaste Limited was recognised and recorded within administrative expenses.

Impairment of receivables
In the prior year an impairment against an intercompany receivable of £5,267,000 was recognised against amounts owed by subsidiary Renewi SRF Trading Limited and was recorded in administrative expenses.

5 Other operating income

	2020 £'000	2019 £'000
Rental income	68	125

6 Staff numbers and employee information

The average monthly number of employees employed by the Company during the year was 598 (2019: 649). All employees were engaged in waste management. The total remuneration of employees comprised:

	2020 £'000	2019 £'000
Wages and salaries	22,309	23,196
Social security costs	2,212	2,351
Other pension costs	1,421	1,469
	25,942	27,016

7 Directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	795	747
Employer's pension contributions:		
- Defined benefit	-	22
	795	769

Aggregate emoluments of the highest paid director

	2020 £'000	2019 £'000
Aggregate emoluments	499	368
	499	368

8 Income from shares in investments

	2020 £'000	2019 £'000
Dividend income from associates	277	200
	277	200

9 Finance income

	2020 £'000	2019 £'000
Bank interest	-	1
Other interest receivable	1	52
Other finance income	135	150
	136	203

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 - continued

10 Finance expenses

	2020 £'000	2019 £'000
Unwinding of discount on provisions	2,945	3,237
Lease interest (note 28)	545	-
Other finance charges	143	70
	3,633	3,307

Other finance charges principally comprise costs for letters of credit.

11 Tax on loss

The taxation based on the loss for the year is made up as follows:

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Current tax				
Current year	(1,371)		-	
Adjustments in respect of prior year	1,590		(1,609)	
Total current tax		219		(1,609)
Deferred tax				
Movement in unrecognised tax losses	(700)		(700)	
Total deferred tax		(700)		(700)
Total tax credit for the year		(481)		(2,309)

The tax on the Company's loss for the year differs (2019: differs) from the UK standard rate of tax of 19% (2019: 19%), as explained below:

	2020 £'000	2019 £'000
Loss before taxation	(31,123)	(43,123)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(5,913)	(8,193)
Adjustments in respect of prior year	1,590	(1,609)
Changes in tax rates	(700)	-
Unrecognised deferred tax assets	4,542	7,493
Total tax credit for the year	(481)	(2,309)

The rate of UK corporation tax rate changed from 20% to 19% on 1 April 2017 and legislation was included in Finance Act 2016 to reduce the rate to 17% on 1 April 2020. However, it was announced in the Chancellor's Budget of 11 March 2020 that the rate will remain at 19% and this was substantively enacted on 17 March 2020. As a result, the deferred tax for the year has been calculated based on the substantively enacted rate of 19% (2019: 17% and 19%).

12 Intangible assets

	Goodwill £'000	Contract rights £'000	Computer Software £'000	Total £'000
Cost:				
At 1 April 2019	4,256	51,960	1,297	57,513
Additions	-	87	27	114
At 31 March 2020	4,256	52,047	1,324	57,627
Accumulated amortisation and impairment:				
At 1 April 2019	4,256	51,227	564	56,047
Charge for the year	-	46	225	271
At 31 March 2020	4,256	51,273	789	56,318
Net book value:				
At 31 March 2020	-	774	535	1,309
At 31 March 2019	-	733	733	1,466

Contract rights comprise costs incurred in connection with the contracts with fellow group undertakings which hold Private Finance Initiative (PFI) and Public Private Partnership (PPP) contracts that are not directly recoverable from those group undertakings, but instead represent a licence to operate the associated waste management facilities.

13 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost:			
At 1 April 2019	6,203	4,529	10,732
Additions	-	107	107
At 31 March 2020	6,203	4,636	10,839
Accumulated Depreciation:			
At 1 April 2019	5,699	4,189	9,888
Charge for the year	109	226	335
At 31 March 2020	5,808	4,415	10,223
Net book value:			
At 31 March 2020	395	221	616
At 31 March 2019	504	340	844

Land and buildings

The net book value of land and buildings comprises:

	2020 £'000	2019 £'000
Freehold	395	504
	395	504

14 Right-of-use assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost:			
Right-of-use assets on transition as at 1 April 2019	14,540	1,618	16,158
Additions	56	1,335	1,391
At 31 March 2020	14,596	2,953	17,549
Accumulated Depreciation and Impairment:			
At 1 April 2019 - impairment of right-of-use assets on transition	5,462	1,002	6,464
Charge for the year	614	407	1,021
Impairment	7,985	583	8,568
At 31 March 2020	14,061	1,992	16,053
Net book value:			
At 31 March 2020	535	961	1,496

Following ELWA contract turning onerous from 1 January 2020 as a result of a new Dutch tax on the import of burnable waste, all remaining right-of-use assets of £8,568,000 held in relation to the contract were impaired. More detail has been provided in note 4.

15 Investments

	Loans	Investments			
	Loans to joint ventures	Subsidiary undertakings	Joint ventures	Associates	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 April 2018	1,250	15,062	4,779	168	20,009
Repayments	(1,250)	-	-	-	-
Disposal	-	-	(3,679)	-	(3,679)
At 31 March 2019	-	15,062	1,100	168	16,330
Provisions:					
At 1 April 2018	-	14,748	1,100	-	15,848
Impairment charge	-	31	-	-	31
At 31 March 2019	-	14,779	1,100	-	15,879
Net book value:					
At 31 March 2019	-	283	-	168	451
At 31 March 2018	1,250	314	3,679	168	4,161

15 Investments - continued

	Investments			
	Subsidiary undertakings	Joint ventures	Associates	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 April 2019 and 31 March 2020	15,062	1,100	168	16,330
Provisions:				
At 1 April 2019 and 31 March 2020	14,779	1,100	-	15,879
Net book value:				
At 31 March 2020	283	-	168	451
At 31 March 2019	283	-	168	451

The loans to joint ventures were owed by Energen Biogas Limited. In the prior year Energen Biogas was sold at cost to Renewi plc, at this date the loan was fully repaid.

No impairments were recognised during the year. In the prior year an impairment of £31,000 was recognised in relation to Company's holding in Safewaste Limited.

At 31 March 2020 the Company had the following investments in subsidiary undertakings:

	Country of registration	Type of business	Type of shares	Proportion of shares held
Safewaste Limited Registered address: Dunedin House, Auckland Park, Mount Farm, Milton Keynes, MK1 1BU	England & Wales	Waste Management	Ordinary	100%
Renewi SRF Trading Limited Registered address: Dunedin House, Auckland Park, Mount Farm, Milton Keynes, MK1 1BU	England & Wales	Waste Management	Ordinary	100%

At 31 March 2020 the Company had the following investments in joint ventures:

	Country of registration	Type of business	Type of shares	Proportion of shares held
Caird Evered Holdings Limited Registered address: Bardon Hall, Copt Oak Road, Markfield, Leicestershire, LE67 9PJ	England & Wales	Non-trading	Ordinary	50%

At 31 March 2020 the Company had the following investments in associates:

	Country of registration	Type of business	Type of shares	Proportion of shares held
ELWA Holdings Limited Registered address: Dunedin House, Auckland Park, Mount Farm, Milton Keynes, MK1 1BU	England & Wales	Waste Management	Ordinary	20%

The balance sheet value of investments held represents the purchase consideration. In the opinion of the Directors the value of investments is not less than the aggregate amounts at which they are shown in the balance sheet.

16 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables (net of expected credit loss)	2,685	1,819
Amounts owed by group undertakings	6,381	5,518
Amounts owed by related party undertakings	7,136	4,366
Deferred consideration	516	634
Other receivables	54	57
Prepayments and accrued income	14,559	9,888
	31,331	22,282
Current	31,285	21,848
Non-current	46	434
	31,331	22,282

Amounts owed by group and related party undertakings are repayable on demand, unsecured and interest free.

The expected credit loss allowance for trade receivables and accrued income is equivalent to 42% (2019: 46%) of gross trade receivables and accrued income and the movement in the loss allowance is shown below:

	2020 £'000	2019 £'000
At 1 April	10,266	209
Charged to income statement	2,890	10,138
Utilised	-	(81)
At 31 March	13,156	10,266

The expected credit loss includes £13,038,000 (2019: £10,138,000) in relation to 100% of the gross trade receivable balance for the Derby contract.

17 Deferred tax assets

Deferred tax is provided in full on temporary differences under the liability method. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Capital allowances £'000	Other permanent differences £'000	Total £'000
At 31 March 2019	4,795	1,205	6,000
Change in accounting policy - impact of IFRS 16 (note 28)	536	-	536
Restated Deferred tax assets at 1 April 2019	5,331	1,205	6,536
Credit to Statement of Comprehensive Income	560	140	700
At 31 March 2020	5,891	1,345	7,236
Deferred tax assets at 31 March 2020	5,891	1,345	7,236
Deferred tax assets at 31 March 2019	4,795	1,205	6,000

At 31 March 2020 the Company had unused trading losses (tax effect) of £25,270,000 (2019: £18,320,000) available for offset against future profits. No deferred tax has been recognised in respect of the losses (2019: £nil) due to the uncertainty of future profit streams. Trading losses may be carried forward and offset against future profits of the same trade.

In addition, at 31 March 2020 there are other temporary differences which are unrecognised as a deferred tax asset (tax effect) of £22,038,000 (2019: £19,652,000) available for offset against future profits. This deferred tax asset has not been recognised due to the uncertainty of future profit streams.

Deferred tax assets are recognised to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilised.

18 Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	2,001	1,799

19 Trade and other payables

	2020 £'000	2019 £'000
Current		
Trade payables	18,075	15,998
Amounts owed to ultimate parent undertaking	39,209	39,117
Amounts owed to group undertakings	37,022	1,498
Interest payable	236	70
Taxation and social security	1,768	2,715
Accruals	24,342	26,634
Deferred revenue	1,397	1,324
	122,049	87,356
Non-current		
Deferred revenue	1,871	1,706

Amounts owed to ultimate parent and group undertakings are repayable on demand, unsecured and interest free.

Deferred revenue relates to the service element of the PPP contracts known as lifecycle as explained in Note 1.

20 Provisions

	Site restoration £'000	Aftercare £'000	Onerous contracts £'000	Other £'000	Total £'000
Balance at 31 March 2019	-	3,214	74,575	3,000	80,789
Adjustment for change in accounting policy (note 28)	-	-	(3,312)	-	(3,312)
Balance at 1 April 2019 - restated	-	3,214	71,263	3,000	77,477
Provided in the year	-	-	13,330	-	13,330
Adjustment as a result of the change in discount rate	13	244	4,247	-	4,504
Utilised in the year	-	-	(14,949)	-	(14,949)
Released in the year	-	-	-	(2,000)	(2,000)
Finance charges - unwinding of discount	-	99	2,846	-	2,945
Reclassification	1,400	(1,400)	-	-	-
Balance at 31 March 2020	1,413	2,157	76,737	1,000	81,307

Current	14,700
Non-current	66,607
As at 31 March 2020	81,307
Current	23,160
Non-current	57,629
As at 31 March 2019	80,789

Aftercare

Post-closure costs of landfill sites, including such items as monitoring, gas and leachate management and licensing, have been estimated by management based on current best practice and technology available. These costs may be impacted by a number of factors including changes in legal and technology. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of at least 30 years from the closure of the relevant site.

20 Provisions - continued

Onerous contracts
Onerous contracts are provided at the net present value of either exiting the Company's PFI contracts or fulfilling the obligations under the contract. The provisions are to be utilised over the period of the contracts to which they relate with the latest date being 2040. For more detail of provisions provided for refer to note 4.

Other
The provision relates to legal and warranty. £2,000,000 of this provision was released during the year. For further detail refer to note 4.

21 Borrowings

	2020 £'000	2019 £'000
Current borrowings		
Bank overdraft	-	887
Lease liabilities*	1,788	-
	1,788	887
Non-current borrowings		
Lease liabilities*	14,119	-

* The Company adopted IFRS 16 Leases from 1 April 2019 which resulted in an increase in lease liabilities with details set out in note 28.

The table below details the maturity profile of non-current borrowings:

	2020 £'000	2019 £'000
Between one and two years	1,676	-
Between two years and five years	4,498	-
Over five years	7,945	-
	14,119	-

22 Share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid:		
54,239,795 (2019: 54,239,788) ordinary shares at £1 each	54,240	54,240

23 Pension schemes

The Company is part of the Shanks Group Pension Scheme (called the Shanks Group Pension Scheme) which covers eligible employees and has both funded defined benefit and defined contribution sections. The defined benefit scheme is now closed to new entrants. From 1 December 2019 the Scheme was closed to future benefit accrual following a formal consultation. Pension costs for the defined benefit section are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The Company is unable to identify the share of the underlying assets and liabilities of the defined benefit section of the Renewi plc Scheme that relates to its business and is permitted under IAS 19 to treat this section of the scheme as a defined contribution scheme. The Scheme has been fully included and disclosed in both the consolidated and entity financial statements of Renewi plc. The Company pension charge for the year for the defined contribution section of the group pension scheme was £1,252,000 (2019: £888,000) and for the defined benefit was £119,000 (2019: £203,000).

23 Pension schemes - continued

A number of employees of the Company are members of the West Yorkshire Pension Fund defined benefit scheme, a multi-employer scheme. The Company is unable to identify the share of the underlying assets and liabilities of the defined benefit section of the West Yorkshire Pension Fund that relates to its business and is permitted under IAS 19 to treat this section of the scheme as a defined contribution scheme. Full details of the Fund are disclosed in the annual report and accounts of West Yorkshire Pension Fund. The employer contribution for the year was £50,000 (2019: £50,000).

In the year ended 31 March 2019 there were a small number of employees of the Company that were members of the Dumfries and Galloway Council Pension Fund defined benefit scheme. The Dumfries and Galloway contract was terminated in the prior year and all funding liabilities were settled. Under this scheme employer contributions charged to the Statement of Comprehensive Income were £nil (2019: £11,000).

Prepaid and outstanding contributions at the end of the year were £nil (2019: £nil).

24 Commitments

Capital commitments

The amount of capital expenditure authorised by the Directors for which no provision has been made in the financial statements is:

	2020	2019
	£'000	£'000
Expenditure contracted for	162	163

25 Contingent liabilities

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Company takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Company has given an unlimited guarantee in respect of the Group's borrowings totalling £408,756,000 (2019: £321,058,000) and the Group's retail bonds totalling £154,785,000 (2019: £172,340,000).

The Company is a member of a HMRC Group VAT registration and as at 31 March 2020 the liability under this registration was £nil (2019: liability of £nil). Where appropriate, the Company element is included within other taxation and social security creditors.

The Company is also a member of a HMRC Group Payment arrangement for corporation tax and as at 31 March 2020 had a contingent liability of £nil (2019: £645,000) under this arrangement.

In respect of contractual liabilities, the Company, along with other fellow group undertakings, has given guarantees and entered into counter indemnities of bonds and guarantees given on their behalf by sureties and banks totalling £121,675,000 (2019: £132,183,000).

26 Related parties

The Company has taken advantage of the exemption under FRS 101 not to disclose transactions with key management personnel or companies which are wholly owned within the Renewi group.

3SE (Barnsley, Doncaster & Rotherham) Limited

Renewi PFI Investments Limited, a fellow group undertaking, holds 75% of the share capital of 3SE (Barnsley, Doncaster & Rotherham) Limited via an intermediary holding company. The Company holds the operating contract to provide waste management and administrative services to the two companies.

ELWA Limited

The Company holds 20% of the share capital of ELWA Holdings Limited, the parent company of ELWA Limited. The Company holds the operating contract to operate the waste management services of ELWA Limited.

Resource Recovery Solutions (Derbyshire) Limited

Renewi PFI Investments Limited, a fellow group undertaking, holds 50% of the share capital of Resource Recovery Solutions (Derbyshire) Holdings Limited, the parent company of Resource Recovery Solutions (Derbyshire) Limited. The Company holds the operating contract to operate the waste management services of Resource Recovery Solutions (Derbyshire) Limited. Resource Recovery (Derbyshire) Holdings Limited and Resource Recovery Solutions (Derbyshire) Limited entered into administration on 4 September 2019.

Wakefield Waste PFI Limited

Renewi PFI Investments Limited, a fellow group undertaking, holds 50.001% of the share capital of Wakefield Waste Holdings Limited, the parent company of Wakefield Waste PFI Holdings Limited. Wakefield Waste PFI Holdings Limited owns 100% of the share capital in Wakefield Waste PFI Limited. The Company holds the operating contract to operate the waste management services of Wakefield Waste PFI Limited.

Caird Evered Holdings Limited

Caird Evered Holdings Limited is a joint venture between the Company and Aggregate Industries UK Limited with each entity holding 50% of the share capital.

The value of the Company's related party transactions during the year were as follows:

	Sales to		Expenses incurred from	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
3SE (Barnsley, Doncaster & Rotherham) Limited	16,806	15,724	-	-
ELWA Limited	40,912	42,734	-	-
Resource Recovery Solutions (Derbyshire) Limited	6,741	35,777	-	-
Wakefield Waste PFI Limited	14,919	14,961	-	-
	79,378	109,196	-	-

26 Related parties - continued

The outstanding value of the Company's related party balances at the year end were as follows:

	Receivables outstanding	
	2020	2019
	£'000	£'000
3SE (Barnsley, Doncaster & Rotherham) Limited	1,553	2,026
ELWA Limited	3,240	4,083
Wakefield Waste PFI Limited	1,518	1,451
Caird Evered Limited	869	835
	7,180	8,395

27 Ultimate parent company and controlling party

The Company's immediate and ultimate parent undertaking and controlling party is Renewi plc, a company registered in Scotland. Renewi plc is the only company to consolidate the Company's financial statements. Copies of Renewi plc consolidated financial statements may be obtained from the Company Secretary, Renewi plc, Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1BU.

28 Change in Accounting policies

Renewi UK Services Limited adopted IFRS 16 Leases on 1 April 2019 and this note explains the impact on the financial statements.

IFRS 16 has a material impact on the financial statements as it leads to most leases being recognised on the Balance Sheet as a right-of-use asset and a lease liability. Operating lease costs under the principle of IAS 17 Leases are now recognised as a depreciation charge in relation to the right-of-use asset and as an interest expense on the lease liability.

The Company leases real estate properties and items of plant and machinery for normal business operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company has applied the modified retrospective approach and has not restated the comparative amounts for the prior year. The reclassifications and the adjustments arising from the new standard are therefore recognised in the opening Balance Sheet on 1 April 2019. The Company has measured the right-of-use asset on transition date to be equal to the lease liability.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has elected to apply the following practical expedients as permitted by the standard:

- No reassessment as to whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the adoption date the Company relied on its assessment made applying IAS 17 and IFRIC 4 (Determining whether an arrangement contains a lease).
- The use of a single specific discount rate to categories of leases in the portfolio with reasonably similar characteristics.
- Instead of performing an impairment review on the right-of-use assets at the date of transition, for some leases the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.
- For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low value assets the Company has applied the optional exemption to not recognise the lease liability and the right-of-use asset but to account for the lease as an expense in the Income Statement on a straight line basis over the remaining term.

28 Change in Accounting policies - continued

Practical expedients applied - continued

- Where the contract contains options to extend, the lease term has been determined with the benefit of hindsight.
- No inclusion of direct lease costs in the measurement of the right-of-use asset.

Lease liabilities

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's specific incremental borrowing rates for groups of leases in the portfolio with reasonably similar characteristics as of 1 April 2019. The weighted average incremental borrowing rate applied by the Company to the lease liabilities on 1 April 2019 was 2.9%.

The following is a reconciliation of total operating lease commitments for continuing operations at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

	2020 £'000
Operating lease commitments disclosed as at 31 March 2019	19,679
Discounted using the lessee's incremental borrowing rate at the date of initial application	(2,054)
Short-term leases recognised on a straight-line basis as expenses	(1,467)
Lease liability recognised as at 1 April 2019	16,158
Classed as:	
Current	2,028
Non-current	14,130
Lease liability recognised as at 1 April 2019	16,158

Right-of-use assets

Right-of-use assets have been measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and any onerous contract provision relating to that lease recognised in the Balance Sheet as at 31 March 2019. The right-of-use assets are depreciated over the remaining term of the lease.

The right-of-use assets accounting policy is stated in note 1 and value on initial application is shown in note 14.

Impact on Financial Statements

The impact of the change in accounting policy to the Balance Sheet on adoption of IFRS 16 on 1 April 2019 can be summarised as follows:

	As reported 31 March 2019 £'000	IFRS 16 adoption effect £'000	1 April 2019 opening balance £'000
Right-of-use assets	-	9,694	9,694
Deferred tax asset	6,000	536	6,536
Lease liabilities	-	(16,158)	(16,158)
Onerous contract provisions	(80,789)	3,312	(77,477)
Impact on net assets		(2,616)	

28 Change in Accounting policies - continued

On transition to IFRS 16 an impairment test was conducted on the ELWA contract to assess the carrying value of right-of-use assets, which excluded the cash flows in respect of the IFRS 16 lease liabilities in line with IAS37. Management concluded the right-of-use assets should be impaired by £4,726,000. This impairment was recognised as an adjustment in the opening balance of equity at 1 April 2019.

In addition to this the contract was no longer deemed onerous which led to a release of the onerous lease provision held in relation to the contract of £1,574,000. This amount was recognised as an adjustment in the opening balance of equity at 1 April 2019.

Right-of-use assets of £1,738,000 relating to other contracts were impaired upon transition and these impairments were recognised against the onerous provisions held on these contracts.

The impact of the changes in the Statement of Comprehensive income for the year ended March 2020 due to the adoption of IFRS 16 can be summarised as follows:

	£'000
Decrease in operating expense	1,657
Increase in depreciation charge	(1,021)
Operating profit	636
Increase in finance charges	(545)
Impact on loss before tax from continuing operations	91