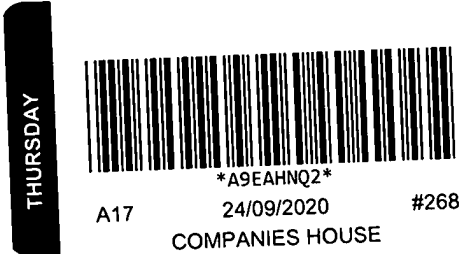


RENEWI CUMBRIA LIMITED

Registered number 06799850

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2020



RENEWI CUMBRIA LIMITED

CONTENTS

| | PAGE |
|--|-------------|
| STRATEGIC REPORT | 3 |
| DIRECTORS' REPORT | 6 |
| INDEPENDENT AUDITORS' REPORT | 8 |
| STATEMENT OF COMPREHENSIVE INCOME | 11 |
| BALANCE SHEET | 12 |
| STATEMENT OF CHANGES IN EQUITY | 13 |
| NOTES TO THE FINANCIAL STATEMENTS | 14 |

RENEWI CUMBRIA LIMITED

STRATEGIC REPORT

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

Business review, principal activities and future prospects

The Company entered a 25 year Public Private Partnership contract with Cumbria County Council on 4 June 2009 for the provision of waste management services. As part of this contract, the Company committed to investing in new waste management facilities, which it will operate until the end of the contract, when the facilities will revert to Council ownership. Renewi Cumbria Limited subcontracted the provision of waste management services to a fellow group undertaking, Renewi UK Services Limited.

The Company's profit before taxation was £2,134,000 (2019: £3,814,000 loss). All activities are in line with the Directors' plans for the Company as well as the financial model for this contract though future returns are dependent on the successful operation of the waste recycling facilities.

At the end of the year, the accumulated losses stood at £12,678,000 (2019: £12,373,000) and net borrowings totalled £37,857,000 (2019: £40,545,000).

Key performance indicators (KPIs)

The principal KPIs for the Company are the volume of waste processed during the year, subsequent diversion of waste from landfill disposal and recycling. For financial year 2020, the Company processed 185,000 tonnes (2019: 185,000 tonnes) and diverted 159,000 tonnes or 86% from landfill disposal (2019: 160,000 tonnes or 86%).

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 Board as a whole acknowledges 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 Board aims 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 Board received several 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 key customer | <ul style="list-style-type: none">• We engage directly with local authorities through our 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. | <ul style="list-style-type: none">• To meet contractual performance obligations.• Ensure facilities are subject to, and adhere to, regulations. | <ul style="list-style-type: none">• We ensure that the Special Purpose Vehicle (SPV) meets performance obligations through subcontracting via Renewi UK Services Limited (RUKS Ltd).• Our operator- RUKS Ltd ensures that the facilities are monitored by Environment Agency.• By securing insurance. |

RENEWI CUMBRIA LIMITED

STRATEGIC REPORT - continued

| Stakeholder | How we engage | Their concerns | How we respond |
|---|--|--|--|
| Equity investors | <ul style="list-style-type: none"> Regular board meetings are held to ensure the Board acts in the best interest of the Company. It is constituted that Shareholders can appoint directors. Visits to our sites. | <ul style="list-style-type: none"> To understand the performance and prospects of the contract. Ensure that free cash flow is maximised and appropriate distributions are made in line with the Shareholder Agreement. | <ul style="list-style-type: none"> Clear reporting through our Mutual Service Agreement (MSA) providers. Regular monitoring of debt ratios against required levels and forecasting of distributions through regular forecast model updates. |
| Lenders | <ul style="list-style-type: none"> Ongoing financial reporting and covenant compliance reporting obligations through the regular updating of the forecast model and answering ad hoc questions. | <ul style="list-style-type: none"> Protection of and return on their capital invested in the SPV. | <ul style="list-style-type: none"> Regular ongoing discussions with the senior debt banking group and subordinated debt lender. |
| Regulators | <p>Our subcontractor- RUKS Ltd engages directly with regulators:</p> <ul style="list-style-type: none"> through meetings, site inspections, testing, and data submissions through trade and industry associations. | <ul style="list-style-type: none"> That the project meets or exceeds the permitted environmental standards. Continue to evolve and define standards and address topical concerns. | <ul style="list-style-type: none"> RUKS Ltd supports regulators with expert advice on handling and processing significant waste streams such as black refuse waste and Household Waste Recycling (HWRC). Respond to any breaches appropriately. |
| Suppliers | <ul style="list-style-type: none"> We have one key supplier- RUKS Ltd who performs contractual obligations on our behalf. | <ul style="list-style-type: none"> Ensuring that they are able to meet, or exceed, their contractual targets within the project, and that we meet our contractual requirements to them. Creating long term collaborative and trusting partnerships. | <ul style="list-style-type: none"> We ensure that operations are facilitated through subcontracted operator- RUKS Ltd in line with the underlying contractual agreement between the key parties. Holding regular meetings with subcontractor RUKS Ltd and other key stakeholders. The SPV entity actively encourages subcontracted operator- RUKS Ltd to 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. |
| Communities | <ul style="list-style-type: none"> We engage with communities at large through our sub-contractors community liaison group. Our project provides Educational programmes focused around separation via third parties/ organisations. We support employment and development opportunities to our subcontractor's employees, many of which will live close to our sites. | <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> 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 (employed by RUKS Ltd) | <ul style="list-style-type: none"> The company subcontracts all of its services to RUKS Ltd. RUKS Ltd has put in place policies and procedures to support the safety and well-being of all of their staff. The Company engages with RUKS Ltd through contract liaison meetings. | <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> RUKS Ltd continues to focus on and invest in safety. Support physical and mental well-being of staff. Staff development, opportunities and continued annual performance reviews. Regular meetings with clear line management structures. |

RENEWI CUMBRIA LIMITED

STRATEGIC REPORT - continued

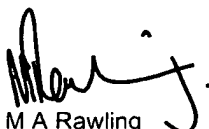
Principal risks and uncertainties

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.

Financial risk management

Interest rate derivatives are used by the Company in managing its exposure to variable market interest rates, further details of which can be found in note 14 of these financial statements. A discussion of the objectives and policies employed in managing financial risk and the use of financial instruments relevant to the Company's operations can be found in the Renewi plc Annual Report and Accounts for the year ended 31 March 2020.

On behalf of the board



M A Rawling
Director
22 July 2020

Registered office

Dunedin House
Auckland Park
Mount Farm
Milton Keynes
Buckinghamshire
MK1 1BU
United Kingdom
Registered number 06799850

RENEWI CUMBRIA LIMITED

DIRECTORS' REPORT

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

Dividends

A dividend of £nil (2019: £nil) was paid in the year.

Directors

The Directors who held office during the year, and up to the date of signing the financial statements, unless otherwise stated, were as follows:

A D Brookes
M A Cowan (resigned 08 November 2019)
M A Rawling

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 current office. BDO LLP will be appointed as successor auditors for the next financial year.

Future developments

Future developments have been discussed within the Strategic Report on page 3.

Financial risk management

The Strategic report on page 3 provides information regarding the policy of managing the principal financial risks.

Going Concern

Notwithstanding the net liabilities position and after making enquiries, the Directors have formed the view, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition the Directors have carefully considered the impact of Covid-19 on the Company's prospects and in particular guidance issued by the UK Government's Infrastructure and Projects Authority which states that the contracting authorities should work closely with PPP contractors to maintain service and unitary charge payments. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' 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 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 United Kingdom Accounting Standards, including FRS 101 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.

RENEWI CUMBRIA LIMITED

DIRECTORS' REPORT - continued

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.

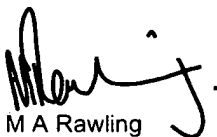
The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that 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



M A Rawling
Director
22 July 2020

RENEWI CUMBRIA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENEWI CUMBRIA LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Renewi Cumbria 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 profit 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 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, and 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.

RENEWI CUMBRIA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENEWI CUMBRIA 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 pages 6 and 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.

RENEWI CUMBRIA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENEWI CUMBRIA 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

23 July 2020

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|---------------|---------------|
| Revenue | 3 | 26,618 | 25,294 |
| Cost of sales | | (25,036) | (24,029) |
| Gross profit | | 1,582 | 1,265 |
| Administrative expenses | | (262) | (313) |
| Operating profit | 4 | 1,320 | 952 |
| Finance income | 7 | 3,800 | 3,862 |
| Finance charges | 8 | (2,986) | (8,628) |
| Profit/(loss) before taxation | | 2,134 | (3,814) |
| Taxation | 9 | (502) | 426 |
| Profit/(loss) for the financial year | | 1,632 | (3,388) |
| Other comprehensive expense | | | |
| <i>Items that are or may be reclassified subsequently to the Statement of Comprehensive Income:</i> | | | |
| Fair value movement on cash flow hedges | | (2,725) | 3,689 |
| Deferred tax on fair value movement in cash flow hedges | | 788 | (627) |
| Other comprehensive (expense)/income for the year, net of income tax | | (1,937) | 3,062 |
| Total comprehensive expense for the year | | (305) | (326) |

All the activities of the Company relate to continuing operations.

The notes on pages 14 to 23 form an integral part of these financial statements.

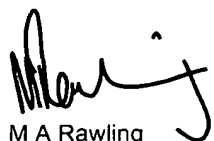
RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

BALANCE SHEET
As at 31 March 2020

| | Note | 2020 £'000 | 2019 £'000 |
|--|------|-----------------|-----------------|
| Assets | | | |
| Non-current assets | | | |
| Financial asset relating to PPP contract | 10 | 51,780 | 53,328 |
| Deferred tax assets | 15 | 5,942 | 5,136 |
| | | <u>57,722</u> | <u>58,464</u> |
| Current assets | | | |
| Financial asset relating to PPP contract | 10 | 1,569 | 1,212 |
| Trade and other receivables | 11 | 6,748 | 6,055 |
| | | <u>8,317</u> | <u>7,267</u> |
| Total assets | | <u>66,039</u> | <u>65,731</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Other non-current liabilities | 13 | (10,473) | (9,999) |
| Borrowings | 14 | (36,395) | (39,091) |
| Derivative financial instruments | 14 | (14,442) | (13,512) |
| Deferred tax liabilities | 15 | (3,883) | (3,363) |
| | | <u>(65,193)</u> | <u>(65,965)</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | (11,962) | (10,585) |
| Borrowings | 14 | (1,462) | (1,454) |
| | | <u>(13,424)</u> | <u>(12,039)</u> |
| Total liabilities | | <u>(78,617)</u> | <u>(78,004)</u> |
| Net liabilities | | <u>(12,578)</u> | <u>(12,273)</u> |
| Equity | | | |
| Share capital | 16 | 100 | 100 |
| Accumulated losses | | (12,678) | (12,373) |
| Total Shareholders' deficit | | <u>(12,578)</u> | <u>(12,273)</u> |

The notes on pages 14 to 23 form an integral part of these financial statements.

The financial statements on pages 11 to 23 were approved by the Board of Directors on 22 July 2020 and were signed on its behalf by:



M A Rawling
 Director

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

| | Share capital £'000 | Accumulated losses £'000 | Total equity £'000 |
|---|---------------------------|--------------------------------|--------------------------|
| Balance at 1 April 2018 | 100 | (12,047) | (11,947) |
| Total comprehensive expense for the year | | | |
| Loss for the financial year | - | (3,388) | (3,388) |
| Other comprehensive income | - | 3,062 | 3,062 |
| Total comprehensive expense for the year | <u>-</u> | <u>(326)</u> | <u>(326)</u> |
| Balance at 31 March 2019 | <u>100</u> | <u>(12,373)</u> | <u>(12,273)</u> |

| | Share capital £'000 | Accumulated losses £'000 | Total equity £'000 |
|---|---------------------------|--------------------------------|--------------------------|
| Balance at 1 April 2019 | 100 | (12,373) | (12,273) |
| Total comprehensive expense for the year | | | |
| Profit for the financial year | - | 1,632 | 1,632 |
| Other comprehensive expense | - | (1,937) | (1,937) |
| Total comprehensive expense for the year | <u>-</u> | <u>(305)</u> | <u>(305)</u> |
| Balance at 31 March 2020 | <u>100</u> | <u>(12,678)</u> | <u>(12,578)</u> |

The notes on pages 14 to 23 form an integral part of these financial statements.

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

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 Cumbria Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the UK.

Basis of preparation

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, 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 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; and
- the effects of new but not yet effective IFRSs.

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

New standards, amendments and interpretations

The company adopted IFRIC 23 Uncertainty over income tax treatments, no changes were needed to the company's tax provisions as at the initial application date of 1 April 2019.

The Company has elected to early adopt the Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR) issued in September 2019 and EU endorsed on 15 January 2020. This has been detailed in note 1.

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.

Going concern

Notwithstanding the net liabilities position and after making enquiries, the Directors have formed the view, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition the Directors have carefully considered the impact of Covid-19 on the Company's prospects and in particular guidance issued by the UK Government's Infrastructure and Projects Authority which states that the contracting authorities should work closely with PPP contractors to maintain service and unitary charge payments. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

1 Accounting policies - continued

Revenue recognition

The Company applies IFRS 15 Revenue from Contracts with Customers which requires apportioning revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied.

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. The transaction price is based on contractually agreed prices for processing the waste. Revenue is recognised when it can be reliably measured and when it is probable that future economic benefits will flow to the entity.

The waste processing services provided on the Public Private Partnership (PPP) contract include an obligation to process waste and revenue is recognised as processing occurs.

PPP contract

The Company holds a PPP contract for the management of waste. The contract required the building of new infrastructure and all rights to the infrastructure to pass to the Local Authority at the termination or expiry of the contract. The Company applies IFRIC 12 (Service Concession Arrangements) which specifies the accounting treatment applied by concession operators.

Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the control of the grantor (the local authority), over what services the operator must provide with the infrastructure, to whom it must provide them and at what price. Accordingly the Company applies the 'financial asset' model as it has an unconditional right to receive cash for the infrastructure. The Company splits the local authority payment between a service element as revenue and a repayment element that is deducted from the financial asset. Interest receivable is added to the financial asset based on the rate implied in the contract payments. Reviews are undertaken regularly to ensure that the financial asset will be recovered over the contract life.

Borrowing costs relating to contract specific external borrowings are expensed in profit or loss.

Income and costs relating to specific rights and obligations within the contracts are transferred to accruals or other receivables and released to profit or loss.

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

Deferred revenue is recognised as income and costs relating to the obligations of lifecycle expenditure occur and is either released or charged to the Statement of Comprehensive Income over the period of delivery.

Taxation

Current tax

Current tax is based on taxable profit or loss for the year. Taxable profit differs from profit before tax in the Statement of Comprehensive Income 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 that have been enacted, or substantively enacted, at the balance sheet date.

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

1 Accounting policies - continued

Taxation - continued

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 is charged or credited to the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority.

Finance charges

Finance charges comprise interest payable on bank loans and intercompany loans. Interest expense is recognised on an accruals basis in the Statement of Comprehensive Income.

Finance income

Finance income comprises interest receivable on bank balances and on the financial asset relating to the PPP contract. Interest income is recognised on an accruals basis in the Statement of Comprehensive Income.

Financial instruments

Trade receivables

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. The amount of the provision is the difference between the asset's carrying value and the value of estimated future cash flows. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income.

Financial asset relating to the PPP contract

The financial asset relating to the PPP contract is initially recognised at fair value of consideration receivable and subsequently at amortised cost.

In addition as a result of Covid-19, in the current year outstanding receivables have been reviewed on a detailed basis taking into 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Where the Company has a legally enforceable right to offset with a financial institution and the intention to settle net, then cash and cash equivalents are offset against the bank loans.

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

1 Accounting policies - continued

Financial instruments - continued

External borrowings

Interest bearing loans are initially recorded at the proceeds received, net of direct issue costs and subsequently net of repayments.

Trade payables

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

Derivative financial instruments

In accordance with its treasury policy, the Company only holds derivative financial instruments to manage the Company's exposure to interest risk on the Company's variable-rate borrowings. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

The Company manages these risks through interest rate swaps. Interest rate swaps are considered to be used for hedging purposes when they alter the risk profile of an underlying exposure of the Company in line with the Company's risk management policies. At the inception of the hedge relationship the Company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. For interest rate swaps which are not designated as a hedge the gains or losses between period ends are taken to finance income or charges in profit or loss.

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to profit or loss when the hedged cash flow impacts profit or loss. The ineffective portion of the fair value of the hedging instrument is recognised immediately in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs at which point it is recognised in profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is recognised in profit or loss immediately.

Derivative financial instruments are determined by discounting the future cash flows using the applicable period-end yield curve. Details of the fair values of the derivative financial instruments used are disclosed in note 14.

IBOR reform

The Company has elected to early adopt the Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR) issued in September 2019 and EU endorsed on 15 January 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform and set out triggers for when the relief will end which include the uncertainty arising from interest rate benchmark reform no longer being present. The reliefs mean that this reform should not generally cause the termination of hedge accounting and the company has no plans to discontinue hedge accounting during the period solely due to this IBOR related uncertainty. However, any hedge ineffectiveness will continue to be recorded in the Income Statement as a non-trading item. The Company anticipates that the areas of greatest change will be amendments of the contractual terms of LIBOR referenced interest rate swaps and their related cashflows. In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the company has therefore assumed that these future cash payments are not altered by IBOR. The Company has also determined that the hedged GBP LIBOR risk component is not separately identifiable at hedge designation.

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

1 Accounting policies - continued

Financial instruments - continued

Other receivables and other payables

Other receivables and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

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.

Service concession arrangements under the PPP contract

The financial asset relating to the PPP contract is recognised in accordance with IFRIC 12. It represents an estimate of the value of the construction services delivered to the grantor. This estimate is based on the cost of the associated services to the Company.

3 Revenue

The Company's activities consist solely of waste management in the United Kingdom.

4 Operating profit

| | 2020 £'000 | 2019 £'000 |
|---|-------------------|-------------------|
| The operating profit is stated after charging: | | |
| Repairs and maintenance expenditure on PPP assets | 300 | 339 |
| Auditors' remuneration for audit services | 10 | 10 |
| | <u> </u> | <u> </u> |

5 Staff numbers and employee information

There were no employees of the Company in the year (2019: nil). The Company's fellow subsidiary of Renewi plc, Renewi UK Services Limited, was contracted to provide management and administrative support to the Company.

6 Directors' emoluments

The Directors were not remunerated for their services to the Company in the current or prior year, neither did the Directors accrue any retirement benefits in respect of service to the Company (2019: £nil). None of the emoluments paid to the Directors by the other group companies related to the services of this company (2019: £nil).

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

7 Finance income

| | 2020 £'000 | 2019 £'000 |
|---------------------------------|---------------|---------------|
| Financial asset interest income | 3,779 | 3,862 |
| Bank interest | 21 | - |
| | <u>3,800</u> | <u>3,862</u> |

8 Finance charges

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Interest payable on bank loans | 3,477 | 3,550 |
| Interest payable to group undertakings | 1,324 | 1,447 |
| Fair value (gain)/ loss on interest rate swaps designated as cash flow hedges | (1,815) | 3,631 |
| | <u>2,986</u> | <u>8,628</u> |

9 Taxation

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

| | 2020 £'000 | 2020 £'000 | 2019 £'000 | 2019 £'000 |
|---|-------------------|---------------|-------------------|---------------|
| Deferred tax | | | | |
| Origination and reversal of temporary differences in the current year | (501) | | 628 | |
| Adjustment in respect of prior year | (1) | | (202) | |
| | <u> </u> | | <u> </u> | |
| Total deferred tax | | (502) | | 426 |
| Total tax (charge)/credit for the year | | <u>(502)</u> | | <u>426</u> |

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

| | 2020 £'000 | 2019 £'000 |
|--|-------------------|-------------------|
| Profit/(loss) before tax | 2,134 | (3,814) |
| Tax using the UK corporation tax rate of 19% (2019: 19%) | (405) | 725 |
| Adjustment in respect of prior year | (1) | (202) |
| Other timing differences | (33) | (24) |
| Impact of changes in tax rate | (63) | (73) |
| | <u> </u> | <u> </u> |
| Total tax (charge)/credit for the year | <u>(502)</u> | <u>426</u> |

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%).

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

10 Financial asset relating to PPP contract

The financial asset results from the application of IFRIC 12 on accounting for concession arrangements relating to the PPP contract and is measured initially at fair value of consideration receivable and subsequently at amortised cost.

The movement in the carrying value of the current and non-current financial asset is as follows:

| | £'000 |
|--------------------------|---------------|
| At 1 April 2018 | 55,670 |
| Interest income (note 7) | 3,862 |
| Advances | 21 |
| Repayments | (5,013) |
| | <hr/> |
| At 31 March 2019 | 54,540 |
| Interest income (note 7) | 3,779 |
| Advances | 21 |
| Repayments | (4,991) |
| | <hr/> |
| At 31 March 2020 | 53,349 |
| | <hr/> <hr/> |
| Current | 1,569 |
| Non-current | 51,780 |
| | <hr/> |
| At 31 March 2020 | 53,349 |
| | <hr/> <hr/> |
| Current | 1,212 |
| Non-current | 53,328 |
| | <hr/> |
| At 31 March 2019 | 54,540 |
| | <hr/> <hr/> |

11 Trade and other receivables

| | 2020 £'000 | 2019 £'000 |
|--------------------------------|---------------|---------------|
| Trade receivables | 628 | 409 |
| Other receivables | 1,040 | 1,119 |
| Prepayments and accrued income | 5,080 | 4,527 |
| | <hr/> | <hr/> |
| | 6,748 | 6,055 |
| | <hr/> <hr/> | <hr/> <hr/> |

No trade and other receivables were impaired in the current year (2019: £nil) and no expected credit loss allowance has been made.

12 Trade and other payables

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Amounts owed to group undertakings - trading balances | 6,309 | 6,175 |
| Amounts owed to group undertakings - loan and interest (note 13) | 1,324 | - |
| Other taxation and social security | 295 | 227 |
| Deferred revenue | 2,888 | 3,074 |
| Accruals | 1,146 | 1,109 |
| | <hr/> | <hr/> |
| | 11,962 | 10,585 |
| | <hr/> <hr/> | <hr/> <hr/> |

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

12 Trade and other payables- continued

Trading balances owed to group undertakings are unsecured, interest free and repayable on demand - see details of loan amounts owed to group undertakings in note 13.

13 Other non-current liabilities

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Amounts owed to group undertakings | 9,460 | 9,460 |
| Deferred revenue | 1,013 | 539 |
| | <u>10,473</u> | <u>9,999</u> |
| | 2020 £'000 | 2019 £'000 |
| Amounts due to group undertakings | | |
| Due after more than 5 years | 9,460 | 9,460 |
| | <u>9,460</u> | <u>9,460</u> |

Amounts owed to group undertakings comprise an unsecured subordinated loan and interest due to Renewi Cumbria Holdings Limited. The subordinated debt was subject to interest at 13% per annum up to 31 December 2017 and thereafter at 14%. The loan is repayable in instalments from surplus funds to 30 September 2033. The current loan liability is £1,324,000 (2019: £nil) (note 12).

14 Borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

| | 2020 £'000 | 2019 £'000 |
|--------------------------------|---------------|---------------|
| Current Borrowings | | |
| Bank loans | 1,462 | 1,454 |
| | <u>1,462</u> | <u>1,454</u> |
| Non-current borrowings | | |
| Between one and two years | 1,721 | 2,578 |
| Between two and five years | 7,562 | 11,962 |
| Due after more than five years | 27,112 | 24,551 |
| Bank loans | <u>36,395</u> | <u>39,091</u> |
| Total net debt | <u>37,857</u> | <u>40,545</u> |

The repayment terms of the term bank loan are fixed and final repayment is due on 30 September 2032. However there is a mechanism in place to accelerate repayments. Interest is payable on the loan at three month LIBOR plus a margin of 2.75% increasing to 3.00% for the term bank loan. The Company entered into interest rate swap contracts which fix the interest rate based on the LIBOR rate at 4.8325%.

As at 31 March 2020, the interest rate swap contract had a fair value of £14,442,000 liability (2019: £13,512,000). The notional principal amount of the outstanding interest rate swap contracts at 31 March 2020 was £43,217,000 (2019: £44,120,000). The expiry date of the contract is 30 September 2032. The current repayment schedule for the borrowings has led to fair value gain being recognised through the Income Statement related interest rate swaps totalling £1,815,000 (2019: £3,631,000 loss).

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

14 Borrowings- continued

The bank loans are secured by means of a legal mortgage over the land and a fixed and floating charge over the assets of the Company.

Offsetting

Cash and cash equivalents are offset against the gross bank debt as they are subject to offsetting arrangements under the debt facilities. The borrowings are shown net of £5,357,000 (2019: £3,572,000) which was the cash held at the end of the year.

| | 2020 £'000 | 2019 £'000 |
|--|-----------------|-----------------|
| Bank loan amounts offset by cash: | | |
| Due after more than five years | 5,357 | 3,572 |
| Total bank loan balance offset by cash | 5,357 | 3,572 |
| Gross bank loan balance at 31 March | (43,214) | (44,117) |
| Bank loan balance not offset by cash | <u>(37,857)</u> | <u>(40,545)</u> |

15 Deferred tax

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

| | Tax losses £'000 | Derivative financial instruments £'000 | Capital allowances £'000 | Other temporary differences £'000 | Total £'000 |
|--|---------------------|---|--------------------------------|--|----------------|
| At 1 April 2018 | 2,858 | 2,302 | (3,055) | (131) | 1,974 |
| (Charge)/credit to Statement of Comprehensive Income | (29) | 632 | (140) | (37) | 426 |
| Charge to Other Comprehensive income | - | (627) | - | - | (627) |
| At 31 March 2019 | 2,829 | 2,307 | (3,195) | (168) | 1,773 |
| Credit/(charge) to Statement of Comprehensive Income | 363 | (345) | (508) | (12) | (502) |
| Credit to Other Comprehensive Income | - | 788 | - | - | 788 |
| At 31 March 2020 | <u>3,192</u> | <u>2,750</u> | <u>(3,703)</u> | <u>(180)</u> | <u>2,059</u> |
| Deferred tax assets | 3,192 | 2,750 | - | - | 5,942 |
| Deferred tax liabilities | - | - | (3,703) | (180) | (3,883) |
| At 31 March 2020 | <u>3,192</u> | <u>2,750</u> | <u>(3,703)</u> | <u>(180)</u> | <u>2,059</u> |
| Deferred tax assets | 2,829 | 2,307 | - | - | 5,136 |
| Deferred tax liabilities | - | - | (3,195) | (168) | (3,363) |
| At 31 March 2019 | <u>2,829</u> | <u>2,307</u> | <u>(3,195)</u> | <u>(168)</u> | <u>1,773</u> |

Deferred tax assets are recognised in full as it is probable that there will be taxable profits available against which deductible temporary differences can be utilised.

RENEWI CUMBRIA LIMITED
REGISTERED IN ENGLAND NUMBER 06799850

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

16 Called up share capital

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Allotted, called up and fully paid: 100,000 ordinary shares of £1 each | 100 | 100 |

17 Commitments

On 4 June 2009, Renewi Cumbria Limited entered into a 25 year contract with Cumbria County Council for the management of municipal solid waste. As part of this contract, the Company and its immediate holding company, Renewi Cumbria Holdings Limited, have pledged to their bankers all of their assets as security for their borrowings.

18 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 plc Group.

19 Ultimate parent company and parent company of larger group

The Company's immediate parent company is Renewi Cumbria Holdings Limited, a company registered in England and Wales. The Company's ultimate parent and ultimate controlling company is Renewi plc, a company incorporated in Scotland. Renewi plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Renewi plc can be obtained from the Company Secretary, Renewi plc, Dunedin House, Auckland Park, Mount Farm, Buckinghamshire MK1 1BU.