

WAKEFIELD WASTE PFI LIMITED

Registered Number: 08193325

REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2020

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WAKEFIELD WASTE PFI LIMITED

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WAKEFIELD WASTE PFI 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 outlook

On 11 January 2013 the Company signed a 25 year Public-Private Partnership (PPP) contract with the Council of the City of Wakefield (the Council) for the provision of waste management services. Under this contract, the Company committed to building new waste management facilities, which it will operate until the end of the contract, when the facilities will revert to council ownership.

During the year the Company continued the management of the waste management facilities. The Company's fellow group undertaking, Renewi UK Services Limited, holds a sub-contract for the operation and maintenance of the facilities and for the disposal of the waste.

The loss before taxation for the year was £2,886,000 (2019: £7,736,000 loss). At the end of the year the total shareholders' deficit stood at £18,785,000 (2019: £14,794,000). All activities are in line with the Directors' plans for the Company, though future returns are dependent on the successful operation of the waste recycling facilities.

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 from the household waste element of the contract tonnages. In 2020, the Company processed 172,000 tonnes (2019: 166,000 tonnes) for the year and diverted 91% (2019: 91%) from landfill disposal, 80,000 tonnes (2019: 73,000 tonnes) or 52% (2019: 48%) of household waste was recycled.

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 authority – 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.

WAKEFIELD WASTE PFI 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) provider. 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.
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. 	<p>The SPV entity actively encourages subcontracted operator- RUKS Ltd to support local communities by:</p> <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.

WAKEFIELD WASTE PFI LIMITED

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Company is an indirect subsidiary of Wakefield Waste Holdings Limited. Risks are managed at a local level in accordance with the risk management framework of Wakefield Waste Holdings Limited. The principal risks and uncertainties of Wakefield Waste Holdings Limited are discussed in its financial statements 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 13 of these Financial Statements. A discussion of the objectives and policies used in managing financial risk and the use of financial instruments relevant to the Company's operations can be found in note 1 and in the Wakefield Waste Holdings Limited financial statements.

On behalf of the Board



A D Brookes
Director

28 July 2020

Registered Office:

Dunedin House
Auckland Park
Mount Farm
Milton Keynes
Buckinghamshire
MK1 1BU
United Kingdom
Registered number 08193325

WAKEFIELD WASTE PFI LIMITED

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 the Company paid a dividend of £nil (2019: £nil).

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	
A N Richford	(resigned 30 June 2020)
W Spurr	
A K Harmer	
K Shah	(appointed 01 July 2020)
R D Knight	(resigned 05 November 2019)
N J Wakefield	
P E Gill	(appointed 05 November 2019)

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 on page 3 within the Strategic Report.

Financial risk management

Page 5 within the Strategic Report 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 the 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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.

WAKEFIELD WASTE PFI LIMITED

DIRECTORS' REPORT (continued)

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 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Statement of disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006 the Directors confirm that:

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

This report was approved by the Board on 28 July 2020 and signed on its behalf by:



A D Brookes
Director

WAKEFIELD WASTE PFI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WAKEFIELD WASTE PFI LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Wakefield Waste PFI 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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.

WAKEFIELD WASTE PFI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WAKEFIELD WASTE PFI 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 the 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.

WAKEFIELD WASTE PFI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WAKEFIELD WASTE PFI 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
28 July 2020

WAKEFIELD WASTE PFI LIMITED
REGISTERED IN ENGLAND NUMBER 08193325

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	3	18,382	17,356
Cost of sales		(17,383)	(16,279)
Gross profit		999	1,077
Administrative expenses		(413)	(314)
Operating profit	4	586	763
Interest receivable and similar income	6	7,275	7,448
Interest payable and similar expenses	7	(10,747)	(15,947)
Loss before taxation		(2,886)	(7,736)
Tax on loss	8	395	963
Loss for the financial year		(2,491)	(6,773)
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movement on cash flow hedges		(2,261)	5,329
Deferred tax on fair value movement in cash flow hedges		761	(906)
Other comprehensive (loss)/income for the year, net of income tax		(1,500)	4,423
Total comprehensive loss for the year		(3,991)	(2,350)

The notes on pages 14 to 24 form an integral part of these financial statements.

All the activities of the Company relate to continuing operations.

WAKEFIELD WASTE PFI LIMITED
REGISTERED IN ENGLAND NUMBER 08193325

BALANCE SHEET
As at 31 March 2020

	Note	2020 £'000	2019 £'000
Current assets			
Debtors (including £99,578 (2019: £102,703) due after more than one year)	9	107,874	109,521
		<u>107,874</u>	<u>109,521</u>
Creditors: amounts falling due within one year	11	(20,935)	(17,064)
		<u>86,939</u>	<u>92,457</u>
Net current assets		86,939	92,457
Total assets less current liabilities		86,939	92,457
Creditors: amounts falling due after more than one year	12	(105,724)	(107,251)
		<u>(18,785)</u>	<u>(14,794)</u>
Net liabilities		<u>(18,785)</u>	<u>(14,794)</u>
Capital and reserves			
Called up share capital	15	100	100
Accumulated losses		(18,885)	(14,894)
		<u>(18,785)</u>	<u>(14,794)</u>
Total shareholders' deficit		<u>(18,785)</u>	<u>(14,794)</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

The financial statements on pages 11 to 24 were approved by the Board of Directors on 28 July 2020 and were signed on its behalf by:



A D Brookes
Director

WAKEFIELD WASTE PFI LIMITED
REGISTERED IN ENGLAND NUMBER 08193325

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

	Share capital £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance at 1 April 2018	100	(12,544)	(12,444)
Total comprehensive loss for the year			
Loss for the year	-	(6,773)	(6,773)
Other comprehensive income	-	4,423	4,423
Total comprehensive loss for the year	-	(2,350)	(2,350)
Balance at 31 March 2019	100	(14,894)	(14,794)

	Share capital £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance at 1 April 2019	100	(14,894)	(14,794)
Total comprehensive loss for the year			
Loss for the year	-	(2,491)	(2,491)
Other comprehensive loss	-	(1,500)	(1,500)
Total comprehensive loss for the year	-	(3,991)	(3,991)
Balance at 31 March 2020	100	(18,885)	(18,785)

The notes on pages 14 to 24 form an integral part of these financial statements.

WAKEFIELD WASTE PFI LIMITED
REGISTERED IN ENGLAND NUMBER 08193325

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

Wakefield Waste PFI Limited (the "Company") is a private company incorporated and domiciled in England and Wales. The address of its registered office is Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1BU, United Kingdom.

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 has elected to early adopt the Amendments to IFRS 9 in response to the reform of interest rate benchmarks 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 other standards or interpretations adopted for the first time for the Company's financial year beginning 1 April 2019 that had significant impact on these financial statements.

Basis of preparation and statement of compliance

The financial statements are prepared on the historical cost basis, 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 102 (FRS 102). The presentation currency of these financial statements is sterling and all amounts have been rounded to the nearest £1,000.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- a Cash Flow Statement and related notes; and
- key management personnel compensation.

As the consolidated financial statements of Wakefield Waste Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

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

1 Accounting policies (continued)

Revenue recognition

Turnover

Turnover represents the fair value of consideration received or receivable, including landfill tax but excluding value added tax for goods and services provided in the normal course of business. Turnover 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 FRS 102, Section 34.12 Service Concession Arrangement which specifies the accounting treatment applied by concession operators.

Under FRS 102, Section 34.12, 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.

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 over the period of delivery.

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.

Financial instruments

Trade debtors

Trade debtors 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 debtors 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 to profit or loss.

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

1 Accounting policies (continued)

Financial instruments (continued)

Financial asset relating to the PPP contract

The financial asset relating to the PPP contract is classified as loans and receivables and 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 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Where the Company has a legally enforceable right to offset with a financial institution, then cash at bank is offset against loan balances.

External borrowings

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

Trade creditors

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

Derivative financial instruments and hedging activities

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.

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. Details of the fair values of the derivative financial instruments used are disclosed in note 13.

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

1 Accounting policies (continued)

Financial instruments (continued)

IBOR reform

The Company has elected to early adopt the Amendments to IFRS 9 in response to the reform of interest rate benchmarks 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.

Other receivables and other payables

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

Interest payable and similar charges

Interest payable and similar charges comprise interest payable on bank loans and intercompany loans. Interest expense is recognised on an accruals basis in profit or loss.

Interest receivable and similar income

Interest receivable and similar income comprises interest receivable on the financial asset under the PPP contract as well as interest receivable on intercompany loans. Interest income is recognised on an accruals basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

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

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

1 Accounting policies (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 profit or loss, 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.

2 Key accounting judgements and estimates

The preparation of financial statements in accordance with FRS 102, 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 is recognised in accordance with FRS 102, Section 34.12. It represents an estimate of the value of the construction services delivered to the grantor. The estimate is based on the cost of the associated services to the Company.

The Company's PPP arrangement involves the construction of waste management facilities to be provided to local authorities. The building of the facilities was governed by the engineer, procure and construct contract entered into by the Company. The construction work was undertaken by third party contractors with drawdowns of financing from the PPP funders used to pay the subcontractor for the construction works.

3 Turnover

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

4 Operating profit

Audit fees of £8,000 for the current year was borne by the entity. In 2019 audit fees of £8,000 were borne by a related party undertaking.

5 Directors' emoluments and employee information

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. The emoluments paid to the Directors by fellow Company undertakings during the year related to services given to this Company were £nil (2019: £nil).

There were no employees of the Company in the year (2019: nil).

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

6 Interest receivable and similar income

	2020 £'000	2019 £'000
Financial asset interest income	7,250	7,448
Bank interest received	25	-
	<u>7,275</u>	<u>7,448</u>

7 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest payable on bank loans	5,871	6,104
Ineffectiveness on cash flow hedges	1,622	6,598
Intercompany interest payable	3,254	3,245
	<u>10,747</u>	<u>15,947</u>

8 Tax on loss

Total tax credit based on the loss before taxation for the year is made up as follows:

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
<i>Deferred tax</i>				
Origination and reversal of temporary differences	389		1,040	
Adjustments in respect of prior years	6		(77)	
Total deferred tax		<u>395</u>		<u>963</u>
Total tax credit for the year		<u>395</u>		<u>963</u>

Reconciliation of effective tax rate

	2020 £'000	2019 £'000
Loss before taxation	(2,886)	(7,736)
Tax using the UK corporation tax rate of 19.0% (2019: 19.0%)	548	1,470
Adjustments in respect of prior periods	6	(77)
Other permanent differences	(108)	(307)
Impact of changes in tax rate	(51)	(123)
Total tax credit for the year	<u>395</u>	<u>963</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%).

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

9 Debtors

	2020 £'000	2019 £'000
Financial asset (note 10)	102,943	105,890
Deferred tax assets (note 14)	3,526	2,370
Prepayments and accrued income	1,405	1,261
	<u>107,874</u>	<u>109,521</u>
Due within one year	8,296	6,818
Due after more than one year	<u>99,578</u>	<u>102,703</u>

10 Financial asset relating to the PPP contract

The financial asset results from the application of FRS 102, Section 34.12 on accounting for service 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	108,647
Interest income (note 6)	7,448
Advances	43
Repayments	(10,248)
At 31 March 2019	<u>105,890</u>
At 1 April 2019	105,890
Interest income (note 6)	7,250
Advances	43
Repayments	(10,240)
At 31 March 2020	<u>102,943</u>
Current	3,365
Non-current	99,578
At 31 March 2020	<u>102,943</u>
Current	3,187
Non-current	102,703
At 31 March 2019	<u>105,890</u>

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

11 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans (note 13)	3,248	3,109
Amounts owed to related parties (note 17)	14,074	10,395
Taxation and social security	560	579
Accruals and deferred revenue	3,053	2,981
	<u>20,935</u>	<u>17,064</u>

Amounts owed to related parties comprise trade balances and subordinated loan. Trade balances are unsecured, interest free and repayable on demand. See note 12 for particulars of subordinated loan amounts owed to related parties.

12 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans (note 13)	62,881	68,095
Amounts owed to related parties (note 17)	20,494	21,127
Accruals and deferred revenue	1,907	1,470
Derivative financial instruments	20,442	16,559
	<u>105,724</u>	<u>107,251</u>
Due between one and two years	5,739	5,350
Due between two and five years	12,198	11,561
More than 5 years	87,787	90,340
	<u>105,724</u>	<u>107,251</u>

Amounts owed to related parties comprise an unsecured subordinated loan. The loan bears interest at 13% per annum and is repayable in instalments to 30 September 2036.

13 Interest-bearing loans and 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
Creditors falling due within one year		
Secured bank loans	<u>3,248</u>	<u>3,109</u>
	2020 £'000	2019 £'000
Creditors falling due after more than one year		
Secured bank loans	<u>62,881</u>	<u>68,095</u>

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

13 Interest-bearing loans and borrowings - continued

The Company holds a term loan facility of £85,962,000 (2019: £85,962,000), which had been fully drawn down by the end of the year. The repayment terms of the term loan are fixed and final repayment will be made by 30 June 2036. However, there is a mechanism in place to accelerate repayments. Interest is payable on the six months (2019: six months) LIBOR plus a margin of 3.85%, increasing gradually over the term to 4.30% in September 2030. The Company has entered into interest rate swap contracts which swap the LIBOR element of the interest rate at 3.31% to September 2036.

At 31 March 2020 the interest rate swap contracts had a fair value of £20,442,000 liability (2019: £16,559,000). The notional principle amount of the outstanding interest rate swap contracts at 31 March 2020 was £80,080,700 (2019: £83,190,000). The expiry date of the contracts is 30 September 2036. The revised repayment schedule for the borrowings has led to ineffectiveness on interest rate swaps totalling £1,622,000 (2019: £6,598,000) being recognised through the Income Statement.

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

The bank loans due after more than one year are shown net of £10,502,000 (2019: £10,529,000) of cash that is netted off permanently by the right of set-off agreement with the bank.

	2020 £'000	2019 £'000
Bank loan amounts offset by cash:		
Due after more than five years	10,502	10,529
Total bank loan balance offset by cash	<u>10,502</u>	<u>10,529</u>
Gross bank loan balance at 31 March	(76,631)	(81,733)
Bank loan balance not offset by cash	<u>(66,129)</u>	<u>(71,204)</u>

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Accelerated capital allowances	-	-	(7,267)	(6,094)	(7,267)	(6,094)
Tax losses	6,359	5,157	-	-	6,359	5,157
Other timing differences	782	700	(232)	(208)	550	492
Derivatives	3,884	2,815	-	-	3,884	2,815
Net tax assets/(liabilities)	<u>11,025</u>	<u>8,672</u>	<u>(7,499)</u>	<u>(6,302)</u>	<u>3,526</u>	<u>2,370</u>

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

15 Share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid 100,000 Ordinary shares at £1 each	100	100

16 Commitments

On 11 January 2013, Wakefield Waste PFI Limited entered into a 25 year contract with the Council of the City of Wakefield for the management and treatment of municipal solid waste. Under this contract, the Company and its immediate parent, Wakefield Waste Holdings Limited, pledged to their bankers all of their assets as security for their borrowings.

At the end of the year the Company had no capital commitments (2019: nil).

17 Related party transactions

The Company had the following related party transactions during the year.

Renewi UK Services Limited

Renewi UK Services Limited (RUKS) is a fellow subsidiary undertaking of Renewi PFI Investments Limited, which is one of the joint controlling parties of the Company. During the year the Company had transactions with RUKS for the provision of operational waste management services, the construction of the Company's waste management facility under a sub-contract agreement between RUKS and the Company and administration and management under a management services agreement.

Renewi PFI Investments Limited

Renewi PFI Investments Limited holds 50.001% of the equity in the Company's parent undertaking.

Equitix Infrastructure 4 Limited

Equitix Infrastructure 4 Limited (Equitix) holds 49.999% of the equity in the Company's parent undertaking and 100% of the £25,030,000 subordinated debt in the Company.

Other related party transactions

	Sales to		Expenses incurred from	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Entities with control, joint control or significant influence	-	-	(3,254)	(3,245)
Renewi UK Services Limited	-	-	(15,168)	(14,961)
	-	-	(18,422)	(18,206)

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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17 Related party transactions - continued

	Receivables outstanding		Creditors outstanding	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Entities with control, joint control or significant influence	-	-	(33,226)	(29,972)
Renewi UK Services Limited	-	-	(1,342)	(1,550)
	<u>-</u>	<u>-</u>	<u>(34,568)</u>	<u>(31,522)</u>

18 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Wakefield Waste PFI Holdings Limited, a company registered in England and Wales. The Company's immediate parent undertaking is jointly controlled through Wakefield Waste Holdings Limited by Renewi PFI Investments Limited, whose ultimate controlling company is Renewi plc, a company registered in Scotland and Equitix Infrastructure 4 Limited, whose ultimate controlling company is Equitix Fund IV LP, a company registered in England and Wales.

Wakefield Waste Holdings Limited, a Company incorporated in England and Wales, is the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Wakefield Waste Holdings Limited can be obtained from the Company Secretary, Wakefield Waste Holdings Limited, Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1BU

The financial statements of Renewi plc can be obtained from the Company Secretary, Renewi plc, Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1BU. The financial statements of Equitix Fund IV LP can be obtained from 3rd Floor (South), 200 Aldersgate Street, London, EC1A 4HD.