

YORWASTE

1. How Yorwaste delivers shareholder value.

As a Teckal company, Yorwaste delivers shareholder value in a number of ways.

Directly through either a reduction in the cost-of-service provision to the shareholding authority or in the generation of profits which accrue to the shareholding authority. This value is enhanced by the operation of commercial activities which can offset operating costs to the authority or enhance the generation of profits.

Indirectly through the shareholders' investment in Allerton Waste Recovery Park (AWRP) by maximising their potential financial return from volume related contractual terms.

Intangibly in that, because of its shareholding ownership, additional ad-hoc services and assistance to the shareholding authority are provided at either cost or zero charge.

The challenge for Yorwaste is to balance the above factors to deliver a cost effective, tax efficient, value for money solution for the local taxpayer.

2. Financial Results for year-ending 31 March 2022

The Company is currently going through its annual audit process and therefore the following comments relating to those results are provisional and based on the unaudited management accounts and may be subject to change.

The report and accounts will be presented to the Yorwaste Board for approval in June, and subsequent shareholder approval in September after which they will be filed with Companies House. A copy of the report and accounts will be provided as an appendix to the October Shareholder Review meeting.

The Company performed well in a year with HGV driver shortages, continuing impact of COVID on staff availability, supply chain issues, and more recently, fast increasing inflation across many cost categories and especially in fuel costs.

On the positive side, commercial sales revenues were up, and the Company reaped the benefit of its investment to improve landfill gas

volumes which, combined with a strong energy price, saw revenues from landfill gas increase year-on-year.

As a result, compared to prior year, whilst sales were up, total operating costs were up by slightly more, and provisional profit before tax fell back slightly to £1m.

Against the challenges of the year this still represents a good out-turn as the Company reduced the impact of the cost increases through tight cost control and absorbed the remainder rather than seek to recoup them from the authority customer.

The Company ended the year with a strong cash balance, will continue to pay down its shareholder loans, and does not anticipate any cash calls on the shareholder for the foreseeable future.

3. Update on current trading

Health & Safety

The Company was once again awarded the ROSPA Gold award and retained its ISO 45001 Health & Safety accreditation.

Environment & Climate Change

The Green Energy Parks report has identified viable green energy options at both Harewood and Seamer, however there are some wider grid infrastructure issues which require further investigation, and this is underway.

Once this work is complete, recommendations will be put to the authority shareholders. This is expected to take place in July of this year.

In addition to this project the Company is, as part of its ISO 50001 process, reviewing the energy efficiency of its buildings with a view to identifying investment projects which will both mitigate the impact of higher energy costs whilst contributing to management of the Company's carbon footprint.

4. Looking Forward

The budget for the current year (2022/23), set in November last year (2021), anticipated a fall in profit driven by higher operating costs (including red diesel and annualization of HGV pay increases) and falling landfill gas revenues. Since then, inflation has increased, and

now looks set to rise higher, which combined with the threat of higher interest rates make the prospect of a recession a real possibility before the end of 2022.

As explained in point 1 the Company must consider wider shareholder value. As such, at this point, we are not seeking to recoup those higher costs from the authority client, and this will put a downward pressure on our profit forecast.

We have increased our commercial customer prices in line with the market and will continue to seek options for cost reduction and/or other mitigations.

The forward outlook for energy prices shows no signs of respite and may be further exacerbated as we move into the second half of the year. The hedge of landfill gas may provide some protection but by how much, at this point, it is hard to say.