

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. Update on current performance

The Company's continued focus on Health & Safety is reflected in its KPI performance and as of 23rd January the Company has had zero Lost Time Injuries (LTI) in the current fiscal year, and it has been 352 days since the last LTI.

In terms of financial performance the Company has had another good year and has been able to offset the fall in gas revenues with increased commercial activity and ongoing cost control. Within our commercial activities we have seen a growth in lifts and revenues, however we have seen reducing volumes in our 3rd party recyclate processing (which as previously reported was both uncontracted and unbudgeted).

The outcome of the above is that we are anticipating achieving a profit broadly in line, if not slightly ahead, of the last year's out-turn ie around £1.5m +/- (barring any unforeseen shocks). This is in addition to an expected maximisation of the shareholders' AWRP revenue opportunity by delivering to full target volume at the full target price.

3. Current Issues

Harewood Solar Planning – For over a year we have had significant pushback on the basis of “glint and glare” objections which, if upheld, could reduce the potential solar generation capacity of the site by up to a third. Yorwaste has taken the decision to proceed with a submission for phases 1 and 2 of the Harewood landfill area as these are not in dispute. Phase 3 can then reviewed and pursued at a later date.

Materials Recycling Facility Upgrade – The plans to upgrade this facility have been placed on hold pending a final decision from NYC in relation to its Simpler Recycling strategy. We anticipate a final decision before the next Shareholder Committee meeting and will provide an update at that point.

4. Looking Forward

Next year we are anticipating above inflation employee related costs driven by the increase in Employers NI and Foundation living wage (which the vast majority of Yorwaste employees are close too). These pressures are accompanied by reductions in revenues arising from the long term decline in landfill gas volumes. Current estimates point to Yorwaste continuing to be profitable in the next budget year albeit at a reduced level compared to recent years. Work to finalise the budget is ongoing and will be completed over the next few weeks.