

# Senior Term Loan Facility Agreement Assurance Statement for Lenders

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## 1. Audit and Trading

The accounts for the 2018 year were approved by Deloitte as Auditors on the 25<sup>th</sup> March 2019. These accounts have been provided to the County in compliance with the Loan Facility and subsequently filed at Companies House.

The Company has continued to perform well against the Modelled figures in the early part of 2019 and the unaudited figures for the half year to June show a positive variance. The second half of the Year will always be negatively impacted by the shutdown for annual maintenance of the Waste to Energy Plant which results in a significant monthly loss whenever this occurs (normally September). This year we have experienced a longer period of closure for repair with the outage extending for a third week, into October, with the attendant negative effects on profit and cash flow.

The main positive variances that the Company experienced in 2019 related to the EfW Plant, especially in respect of the sale of electricity, although the summer period has been weaker in terms of price achieved than hoped. The Company has secured good prices for the majority of its output for the winter of 19/20. Unfortunately, as previously reported, the global market for recyclable material continued to be difficult and the Company has continued to experience negative outturns in this area with the limited recovery in plastic prices paid to the Company failing to offset the higher prices which the Company has to pay for paper to be recycled.

## 2. Loan Repayment

Repayments have continued to be made in full and on time. As at the date of this statement, Mercia anticipates being able to continue to make payments as per the Loan Agreement.

## 3. Buildings, Plant and other Infrastructure

No material problems exist which would require the Lenders attention at any of Mercia's Facilities.

## 4. Compliance with Environmental Conditions and Permits

The EA requested that we investigate a source of noise at the EfW Plant. A methodical approach has been agreed with the EA. The investigation is currently ongoing. No other material issues exist.

## 5. Insurance

All appropriate Policies are in place. The Company's claims history remains satisfactory. An initial meeting for the 2020 (non – EfW) renewal is in place for 10<sup>th</sup> October. The EfW policy renewal takes place in March.

## 6. Key Staff

All senior staff remained in their roles during the period and continue in their employment at the date of this Statement.