

# Senior Term Loan Facility Agreement

## Assurance Statement for Lenders

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### 1. Audit and Trading

The Company has performed well against the Modelled figures during 2019 as a whole. As reported previously the first half of the year was a good period for us. The second half has unfortunately been impacted by a longer and more costly shutdown than expected for Energy from Waste Plant. The outage incurred both greater costs and as it took longer the loss of income was higher than planned. The Company as a whole outperformed in November and we expect to have a satisfactory outturn for the year.

In looking forward the Company continues to perform well across the more than twenty locations it operates from and continues to succeed in terms of the contractual Recycling and Recovery targets it has as part of the Service agreement with the Councils. The recycling market continues to be of concern with further price falls experienced. Additional risks relating to the plans of the main political parties in respect of the Minimum Wage and Corporation Tax, among other matters, in the Party's election manifestos are now apparent.

### 2. Loan Repayment

The payments due to the Councils at the end of December will be 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

As mentioned in the last report, the Environment Agency requested that we investigate a source of noise at the EfW Plant (the Induced Draft Fan). The Company has worked closely and openly with the Environment Agency, the Council and local residents and a course of action has been agreed. Following a Survey in early December a Computer Model will be made enabling fabrication and installation of the measures required to resolve the issue in the first quarter of the new year.

### 5. Insurance

All appropriate Policies are in place. The Company's claims history remains satisfactory. The non – EfW renewal meeting is due to take place on 5<sup>th</sup> December. 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.