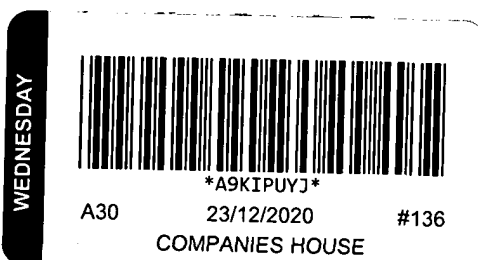


KDC HOLDINGS LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



KDC HOLDINGS LIMITED

COMPANY INFORMATION

Directors

John Patrick Abraham
Christophe Bellynck
David Andrew Gerrard
Tracy Jayne Knipe
Ian David Williams

Company secretary

Celia Rosalind Gough

Registered number

06396708

Registered office

210 Pentonville Road
London
N1 9JY

Independent auditor

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

KDC HOLDINGS LIMITED

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KDC HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Directors present their Strategic report for the year ended 31 December 2019.

The principal activity of KDC Holdings Limited ("the Company") is that of a holding company. The Company's main subsidiary specialises in decommissioning, demolition and land remediation and operates principally in the nuclear, petrochemical, pharmaceutical, energy & utility and industrial markets, based in Manchester and Grangemouth.

The Company is registered and domiciled in the United Kingdom.

The Company is part of the Veolia Group ("the Group"), which is defined as all companies under the control of the ultimate parent company, Veolia Environnement S.A., headquartered in Paris. The Company is also a member of the "UK&I group", a division of the Group, based in the UK and Ireland and involved in the provision of waste, water and energy services, and directly or indirectly under the ownership of Veolia UK Limited ("VUK").

Business review

The operating loss reduced in the year to 8k (2018: £69k). This is largely due to the loss in 2018 being largely related to the administrative expenses incurred in respect of the former Managing Director, who retired prior to the acquisition by the UK&I Group.

Section 172(1) Statement

The Directors have ensured compliance with their duties under s.172(1) in relation to the various stakeholders of both the Company and its subsidiary, including the workforce, main customers and suppliers, local community and relevant regulatory authorities. As a wholly-owned subsidiary of the Group (and within that, the UK&I group), the Company effectively has a sole member. The Company and its subsidiary are also recipients of intra-group financing from VUK, as detailed further within the Financial risks section of the Strategic report. Engagement with all of the Company's and its subsidiary's stakeholders has informed the way in which the Directors have discharged their duties and addressed the principal risks and uncertainties as detailed below. Where individual Directors are not directly involved in the processes described below, regular feedback and discussions are held with the relevant management teams, including UK&I Management Board meetings and operational review meetings. There were no matters brought to the attention of the Directors through the undertaken engagement that were considered to be of strategic importance, other than relating to those matters detailed in the principal decisions section below.

The main purpose of the Company and its subsidiary is to provide decommissioning, demolition and land remediation services to their main customers. The Company's subsidiary has regular engagement with its main customers, including through meetings and provision of financial and operational reports.

It should be noted that the Company is part of the UK&I group and as such the Directors have ensured that the strategy, values and policies of the UK&I group have been adopted. The Directors have oversight of the running of the Company and its subsidiary, including through regular reviews of the contract performance and consideration of potential risks and opportunities.

The UK&I group has a Supply Chain Team who are responsible for sourcing goods and services and managing the associated supply chain risk across the UK&I group. The Directors recognise that the smooth running of the Company and its subsidiary relies on adequate, good quality and timely supplies of goods and services. Engagement with key suppliers includes due diligence by the Supply Chain Team, and putting in place appropriate terms and conditions.

KDC HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Section 172(1) Statement (continued)

The Company has no employees, however the Directors recognise that the Company and its subsidiary's long-term success is predicated on the commitment of the workforce of the Company's subsidiary. Through the UK&I group, the Company's subsidiary provides employees with relevant training using both in-house and external providers. The health and safety of the Company's subsidiary's workforce is of key importance - refer to the Health and safety, quality and environment section of the Strategic report for further details. Employees are given access to Company and UK&I group information and updates via various channels including newsletters and team meetings and engagement also takes place via employee surveys. The Company's subsidiary also engages with trade union representatives on site and via regular Joint Trade Union Forum meetings.

The UK&I group, the Company and its subsidiary are dedicated to the circular economy and to enhancing this by working with customers, local communities and government and promoting all aspects of environmental and waste management. Please refer to the Health and safety, quality and environment section of the Strategic report for details of the Company and its subsidiary's engagement with regulatory authorities.

As regards principal decisions during the year, no dividend was paid during the year, after consideration of the Company's and its subsidiary's ongoing financial position and stakeholders.

Principal risks and uncertainties

In common with all businesses, the Company recognises certain risk factors that are both external and internal to the Company. The Directors consider the principal risks and uncertainties to which the Company is exposed are intrinsic to the business it operates and its ability to provide the service for which it is contracted.

The following highlights some of the particular risks, but is not intended to be an extensive analysis of all risks affecting the business. Some risks may be unknown to the Company and other risks, currently regarded as immaterial, could turn out to be material. All of them have a potential to impact the Company's business, revenue, profits, assets, liquidity and capital resources adversely. The Board has approved that the Company manages the majority of these risks by utilising the resources and processes developed and operated within the UK&I group as whole. The Board has also considered the impact of COVID-19 on each of the Company's principal risks as set out below.

Contractual risk

The Company's business is affected by the reliability of its subsidiary to pay dividends. The subsidiary is predominantly contract-based; hence the business may be adversely affected by failure to perform to the level agreed within the relevant contract. The UK&I group has a structured formal project authorisation and review procedure which aims at ensuring legal, operational, technical and commercial risks are properly considered before the initial exchange of contracts, or significant contract alterations, with its clients.

In the normal course of business, risks associated with meeting the contractual terms of the contract are mitigated through the ongoing day to day management of the operations of the contract including tracking performance against budget and targets identified in the contract and monthly reviews by operational management and members of the Board. The approach across the UK&I group is that contracts that are identified as being at particular risk during these reviews are the subject of specific initiatives to improve contract performance. Larger contracts and business units are separately reviewed at a UK&I group level on a monthly basis.

A subsidiary's longer term inability to pay dividends, or decline in performance may result in an impairment of the Company's investment in that subsidiary, which will have a direct impact on the Company's results in the year and net assets going forward.

The Company's subsidiary is working with its main customers to ensure that all required aspects of the contracts can continue to be delivered during the COVID-19 outbreak. Given environmental management has been designated by the government as an essential service it is expected that all material services within the contracts will continue to be delivered, other than as discussed below.

KDC HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Contractual risk (continued)

The Company's subsidiary has been adversely impacted by the suspension of certain projects and the delay in the start of other projects, and the practicalities of social distancing when performing decommissioning and demolition work, where client sites are now open. However, the Company's subsidiary has been proactively working with its main customers to manage any service changes needed in the current situation to maintain business continuity.

Business continuity

The UK&I group is accredited with ISO 22301 (Business Continuity Management) and the Company and its subsidiary maintain a business continuity plan for each area of its operation, including the associated IT infrastructure, so should the unexpected happen, there is a predetermined plan in place to allow the business to recover and to continue servicing its customers with as little disruption as possible. These plans include sharing of site infrastructure within the UK&I group, the use of external suppliers who specialise in disaster recovery scenarios and leveraging other group relationships.

In response to COVID-19, the UK&I group's primary focus is to continue delivery of the essential services which the Company's subsidiary provides to its customers and the local community, whilst looking after the health and safety of the workforce, including through providing appropriate protective equipment to front line workers and reinforcing the importance of good hygiene.

The key operational workstreams of the UK&I group (Waste disposal, Energy supply, and Water and Wastewater sectors) have been designated by the government as essential services.

The response has included considering the business impact from both an operational and financial perspective, and monitoring the impact on the workforce. The Company's subsidiary has considered the employees needed in order to continue to deliver the contracts and, based on the current levels of absences, continues to have sufficient levels of resource available within the Company. In terms of workforce, in case of potential shortages of staff, the UK&I group is considering which staff-intensive activities could be deferred, and also considering in the first instance where redeployment is possible from other areas of the UK&I group, where services may have been reduced, and use of agency staff. The UK&I group will continue to monitor the situation as it progresses to ensure a continued safe working environment, in conjunction with continued delivery of the contracts in line with the customers' requirements. There is also a key focus on good internal communication, with a dedicated intranet site, which is updated frequently.

In relation to supply chain, the response has included focus on procuring additional hand sanitiser and masks, as well as ensuring there are sufficient levels of spare parts and chemicals required for continued operations. Given the ongoing Brexit preparations, the supply chain was geared up to hold more stock within the UK. At this stage, the Company's subsidiary believes that it has access to supplies necessary to maintain its operations.

Health and safety, quality and environment

The Company has no employees, but ensures its subsidiary remains fully committed to respecting the UK&I group's corporate, legal and social responsibilities for health and safety, quality and the environment. It looks to continuously improve its systems and performance with specific year on year targets which are monitored and reviewed monthly.

The UK&I's Active Risk Strategy continued into 2019 with the 'ThinkSafe' programme remaining a key focus. By the end of 2019 the 'ThinkSafe' for leaders workshop was delivered to all operational business lines and regions through their regional conferences throughout 2018 and 2019. The Safety Conversations programme has been delivered to more than 700 front line managers and supervisors in 2019.

The focus on lessons learnt continues to be supported by 'ThinkSafe' communications campaigns including Safety Week. In 2019, the UK&I group has covered 'SleepSafe' (awareness of people sleeping in bins), Leptospirosis (how to protect against the disease and awareness of the symptoms), Safe Chemical Handling and Reversing. The 2019 Safety Week campaign also included activity specific behavioural commitment boards which employees signed up to. In adopting these safe behaviours the aim is to stop serious accidents from

KDC HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Health and safety, quality and environment (continued)

The UK&I group has also implemented a new reporting system 'Ava by Airsweb' during 2019, which will capture all event reporting (including accidents, incidents, environmental events, abuse, regulator communications and close calls), investigations and audits. The system will enable consistent and improved quality of reporting, investigations and trend analysis.

The UK&I group has seen a 2% reduction in combined days lost in 2019 versus the same period in 2018. There has been an increase in near miss / safety concern (close call) reporting by 10%. Reporting of near miss / safety concerns (close calls) supports a proactive culture. By learning from these events the UK&I group can stop accidents from happening in the future.

Although not directly related to the Company, tragically, on 17 October 2019, a plant operator from the decommissioning team based at Great Yarmouth was involved in a fatal accident. Another member of staff was also seriously injured. At this time both the police and the Health and Safety Executive ("HSE") are investigating the circumstances of the accident and the UK&I group is providing them with full cooperation and assistance with this.

The UK&I group, the Company and its subsidiary have an open relationship and maintain regular communication with all regulatory bodies, including the various Environment Agency bodies across the UK and Ireland. The UK&I group is committed to a sustainable future by protecting and conserving the natural environment, helping customers to gain value by the circular economy and closed loop thinking. By being a manufacturer of green products and energy, the UK&I group helps its customers to meet their environmental challenges. Veolia is externally certified to ISO 9001 (Quality), ISO 14001 (Environmental) and ISO 45001 (Health and Safety) and has an 'in-house' team of QHSE professionals with broad knowledge and experience of the field that provide the business with support on a day to day basis. The Directors monitor the performance and therefore consider the risk associated with health and safety, quality and environment to be acceptable.

Financial risks

It is the Company's objective to manage its financial risks so as to minimise the adverse effects of fluctuations in the financial markets on its profits and cash flows. The Company utilises the resources of the UK&I group to implement risk controls and loss mitigation plans to manage exposure to these risks. The VUK Board, which certain of the Company's Directors are members of, reviews and agree policies for managing risks and they are summarised below:

- **Credit risk**

The Company and its subsidiary are exposed to counterparty risk in various areas of their operating activities and treasury activities. Credit risk therefore arises primarily on the Company's operating financial assets and operating receivables, much of which is with other undertakings of the Group. The carrying amount of trade and other debtors, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

The risk of major financial loss would occur if the Company's subsidiary's customers failed to honour their obligations under their contracts. The Company's subsidiary largely trades with large well-established clients, and so the likelihood of this is considered low and is considered to continue to be such in the current environment.

The UK&I group has allocated significant resources to a specific credit management team to minimise the credit risk in respect of its smaller, but equally well-established customers.

Given the above, the Directors consider the Company's exposure to credit risk to be acceptable.

- **Interest rate risk**

The Company currently has no interest bearing borrowings and so is not subject to interest rate risk.

KDC HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk (continued)

- **Liquidity risk**
Cash forecasts are undertaken regularly to ensure payment profiles can be honoured in full at the appropriate date.
- **Foreign exchange risk**
The Company has limited exposure to foreign currency risk in its normal trading activities as it operates in the UK and all of its trade and most of its purchases are procured in pound sterling. At each reporting date all financial assets and financial liabilities are denominated in pound sterling.

Other risks

Following the 2016 referendum, the UK left the European Union on 31 January 2020 and entered into a transitional phase which is currently due to end on 31 December 2020. Negotiations between the UK government and the European Union on trading and other structures are ongoing.

The UK&I group have analysed the potential impact of the various options following the end of the transitional phase and are confident that there are plans and contingencies in place to avoid the business being unduly affected. The effect on employees has been at the forefront of the UK&I group's plans, with the UK&I group continuing to maintain both formal and informal communication with affected employees. The UK&I group continues to monitor developments.

The Group continues to develop its business in the UK and monitor the effects of the decision in line with the Group statement released in Paris on 24 June 2016: "Veolia will, of course, continue its journey in the UK. That means that we will continue to invest both in terms of financial and human resources to ensure we remain competitive and innovative". Whilst making no formal statements on the subject since, the Group have continued with its plans to manage, develop and support the UK business in line with this statement.

This report was approved by the board on 16 December 2020 and signed on its behalf.



David Andrew Gerrard
Director

KDC HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

As permitted, certain information regarding the Company, including a review and analysis of the development and performance of the Company's business during the year, the Company's policies for employee and stakeholder engagement and a description of the principal risks and uncertainties facing the Company are contained within the Strategic report.

Results and dividends

The loss for the year, after taxation, amounted to £6k (2018: loss £90k).

There were no dividends paid in the year under review (2018: £nil).

Directors

The Directors who served during the year and to the date of this report were:

John Patrick Abraham (appointed 18 January 2019)
Christophe Bellynck
David Andrew Gerrard
Tracy Jayne Knipe (appointed 18 January 2019)
Ian David Williams

No Director has, or has had, a material interest in the Company, directly or indirectly at any time during the year.

Directors' indemnity

The Directors are entitled to be indemnified by the Company to the extent permitted by law in respect of losses arising out of, or in connection with, the execution of their powers, duties and responsibilities. Veolia Environnement S.A., the Company's ultimate parent company, maintains Directors' and Officers' liability insurance for the Directors in respect of their duties as directors. Such qualifying third party indemnity provision was in place throughout the period and remains in force as at the date of approving the Directors' report. Neither the indemnities nor the insurance provide cover in the event that the Director is proved to have acted fraudulently.

Going concern

The Company's Balance Sheet shows net assets of £8,366k (2018: £8,372k), and at year end reported net current liabilities of £(1,324)k (2018: £(1,318)k). The Company participates in the Group centralised treasury arrangements and so shares banking and intercompany loan arrangements with the Group, VUK and other UK based fellow subsidiaries. The Company is managed as part of the UK&I group and budgets and forecasts are prepared at that level. The UK&I group's forecasts and budgets identify that the UK&I group is expected to meet its liabilities as they fall due for a period of at least 12 months from the date on which these financial statements are approved. A key assumption in the UK&I group's forecasts is the continuing availability of funds that are swept into the Group Treasury cash pooling arrangements and the intercompany loans provided by the Group to VUK and other UK based fellow subsidiaries.

VUK has received a letter of financial support from the UK&I group's ultimate parent company, Veolia Environnement S.A., which confirms that the Group, if required, will provide financial support to VUK for the period ending 31 December 2021. VUK has in turn provided a letter of support to the Company to confirm that VUK will, if required, provide financial support to the Company for the same duration as provided by the Group to VUK.

The Directors of VUK have considered information regarding the Group's ability to provide support to VUK. This information included the issuing of €700m mid-term notes on 8 April 2020, a further €500m mid-term notes on 8 June 2020 and €2bn of hybrid bonds on 14 October 2020, and the Group's Q3 2020 results released on 5 November 2020, which showed that the Group had total cash and cash equivalents of €8.9billion and undrawn facilities of €4.2billion as at 30 September 2020.

KDC HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern (continued)

The Directors of the Company have made enquiries of the Directors of VUK to confirm that VUK has the ability to provide financial support, noting the financial position of the Group as described above.

Whilst there remains uncertainty regarding the impact of COVID-19, the Directors of the Company have concluded that, if required, the Group will be able to provide financial support to VUK, who in turn will be able to provide financial support to the Company, for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Directors are satisfied that they have a reasonable basis upon which to conclude that the Company is able to meet its liabilities as they fall due in the foreseeable future and that it remains appropriate to prepare the financial statements on a going concern basis.

Future developments

The Directors have considered the impact of the outbreak of COVID-19 and remain confident of the ability of the Company to continue its business as an intermediary holding company and its subsidiary to continue to meet its customers' demands.

Competition in this sector is expected to remain tough and cost controls are expected to continue into the future. The Directors consider the Company, along with other members of the UK&I group, to be well placed in all aspects of the environmental and waste management industry.

Financial instruments

Financial instruments give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise is set out in the Strategic report.

The Company's borrowings and loans are all denominated in pound sterling and therefore the Company has no foreign currency exposure on its financing.

It is, and has been throughout the period under review, the Company's policy that no trading in speculative derivative financial instruments shall be undertaken.

Post balance sheet events

As noted throughout the report and accounts, the outbreak of COVID-19 has had certain impacts on the Company. Further details are included in note 16. Given the unprecedented situation in the UK and Ireland, there remains significant uncertainty as to the length and extent of the impact on individuals, communities and the economy as whole. However, due to the fact that environmental management is designated an essential service, and based on the Company's current assessment of risks, no material impacts or uncertainties have been identified which require adjustment in the financial statements and it is not at this stage expected to have a material impact on the Company's ongoing business.

KDC HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to the Auditor

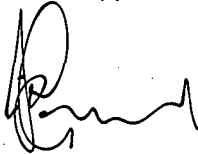
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as the auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 16 December 2020 and signed on its behalf.



David Andrew Gerrard
Director

KDC HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KDC HOLDINGS LIMITED

Opinion

We have audited the financial statements of KDC Holdings Limited (the "Company") for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Effects of COVID-19

We draw attention to note 16 of the financial statements, which describes the economic and social consequences the Company and its subsidiary are facing as a result of COVID-19 which may impact upon the availability of the workforce, appropriate protective equipment and critical supplies, and therefore the Company's subsidiary's ability to perform obligations in accordance with the contract with the main customer. Our opinion is not modified in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KDC HOLDINGS LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 Auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KDC HOLDINGS LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Helen Hemming (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP, Statutory auditor

Birmingham

16 December 2020

KDC HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

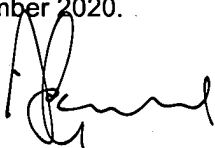
		2019	2018
	Note	£000	£000
Administrative expenses		(8)	(69)
Operating loss	4	(8)	(69)
Income from fixed assets investments	7	-	4
Interest payable and similar charges	8	-	(32)
Loss before tax		(8)	(97)
Tax on loss	9	2	7
Loss for the financial year		(6)	(90)
Other comprehensive income		-	-
Total comprehensive loss for the year		(6)	(90)

KDC HOLDINGS LIMITED
REGISTERED NUMBER:06396708

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	10	9,690	9,690
		<u>9,690</u>	<u>9,690</u>
Current assets			
Debtors: amounts falling due within one year	11	9	7
		<u>9</u>	<u>7</u>
Creditors: amounts falling due within one year	12	(1,333)	(1,325)
		<u>(1,324)</u>	<u>(1,318)</u>
Net current liabilities			
		<u>(1,324)</u>	<u>(1,318)</u>
Total assets less current liabilities		<u>8,366</u>	<u>8,372</u>
Net assets		<u>8,366</u>	<u>8,372</u>
Capital and reserves			
Called up share capital	13	100	100
Share premium account	14	8,208	8,208
Profit and loss account		58	64
		<u>8,366</u>	<u>8,372</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 December 2020.



David Andrew Gerrard
Director

KDC HOLDINGS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018	100	8,208	154	8,462
Comprehensive income for the year				
Loss for the year	-	-	(90)	(90)
At 1 January 2019	100	8,208	64	8,372
Comprehensive income for the year				
Loss for the year	-	-	(6)	(6)
At 31 December 2019	100	8,208	58	8,366

The notes on pages 16 to 25 form part of these financial statements.

KDC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

KDC Holdings Limited is a private company limited by shares, incorporated in England and Wales.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's financial statements are presented in pound sterling and all values are rounded to the nearest thousand pound sterling (£000) except when otherwise indicated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

On 1 January 2019, the Company adopted IFRS 16 'Leases' on a fully retrospective basis, resulting in the recalculation of the asset and associated debt as if the standard had been applied from the inception of the lease. As the Company has no leases, there have been no material impacts on the Company's financial statements from adopting this standard.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 Ultimate controlling party

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Veolia Environnement S.A. (incorporated in France). Copies of the consolidated financial statements of Veolia Environnement S.A. can be obtained from the registered office at 21 rue La Boétie, 75008 Paris, France. These accounts therefore only present the result of the Company as an individual entity.

In addition, the Company is also consolidated in the consolidated financial statements of Veolia Environmental Services (UK) Plc, an intermediate parent undertaking. Copies of the consolidated financial statements for Veolia Environmental Services (UK) Plc are available from the registered office at 210 Pentonville Road, London, N1 9JY.

2.4 Going concern

The Company's Balance Sheet is robust with net assets of £8,366k (2018: £8,372k), however, the Company also reported net current liabilities of £(1,324)k (2018: £(1,318)k). The Company participates in the Group centralised treasury arrangements and so shares banking and intercompany loan arrangements with the Group, VUK and other UK based fellow subsidiaries. The Company is managed as part of the UK&I group and budgets and forecasts are prepared at that level. The UK&I group's forecasts and budgets identify that the UK&I group is expected to meet its liabilities as they fall due for a period of at least 12 months from the date on which these financial statements are approved. A key assumption in the UK&I group's forecasts is the continuing availability of funds that are swept into the Group Treasury cash pooling arrangements and the intercompany loans provided by the Group to VUK and other UK based fellow subsidiaries.

VUK has received a letter of financial support from the UK&I group's ultimate parent company, Veolia Environnement S.A., which confirms that the Group, if required, will provide financial support to VUK for the period ending 31 December 2021. VUK has in turn provided a letter of support to the Company to confirm that VUK will, if required, provide financial support to the Company for the same duration as provided by the Group to VUK.

The Directors of VUK have considered information regarding the Group's ability to provide support to VUK. This information included the issuing of €700m mid-term notes on 8 April 2020, a further €500m mid-term notes on 8 June 2020 and €2bn of hybrid bonds on 14 October 2020, and the Group's Q3 2020 results released on 5 November 2020, which showed that the Group had total cash and cash equivalents of €8.9billion and undrawn facilities of €4.2billion as at 30 September 2020.

The Directors of the Company have made enquiries of the Directors of VUK to confirm that VUK has the ability to provide financial support, noting the financial position of the Group as described above.

Whilst there remains uncertainty regarding the impact of COVID-19, the Directors of the Company have concluded that, if required, the Group will be able to provide financial support to VUK, who in turn will be able to provide financial support to the Company, for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Directors are satisfied that they have a reasonable basis upon which to conclude that the Company is able to meet its liabilities as they fall due in the foreseeable future and that it remains appropriate to prepare the financial statements on a going concern basis

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentation currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.7 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

2.8 Valuation of investments

The Company records its investments at historical cost less impairment. The investments are reviewed regularly for signs of impairment. Should there be evidence of impairment, the quantum of that impairment will be assessed by the use of a discounted cash flow analysis of that investment. Any impairment may be reversed in subsequent years if there is a significant improvement in the subsidiaries' performance but the revised value of the investment will not exceed its historic cost.

2.9 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are derecognised when they are discharged or when the contractual terms expire. Financial assets and liabilities are initially measured at fair value. Loans receivable or payable on demand are classed as short-term and hence are not discounted.

The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as financial assets subsequently measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial assets subsequently measured at amortised cost

These comprise loans and debtors which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade debtors), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all financial assets subsequently measured at amortised cost. The Company calculates ECLs by applying a provision matrix that takes into account the expected life of trade debtors and default rates for different customers. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. ECLs are recognised in two stages:

- for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL);
- for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which nearly all the rights and obligations inherent to ownership of the financial asset are transferred. Any interest created or retained by the Company in a financial asset is recognised separately as an asset or liability.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be appropriate under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates

The following assumptions involving estimates have had the most significant effect on amounts recognised in the financial statements. The Company has considered the impact of COVID-19 on these and any other potential material risks in note 16:

- **Impairment of investments**

The financial statements include investments in subsidiaries and these are reviewed for indicators of impairment. Where impairment reviews are required, assumptions have been made, largely around the timing and scale of future profitability, for calculating the future value of the investments in order to impair the values or reverse previous impairments, in accordance with the findings (see note 10).

With the exception of the assumptions made in respect of the valuation of its investment holdings, management have not made any further material estimates or judgments that may result in a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Operating loss

The operating loss is stated after charging:

	2019	2018
	£000	£000
Auditor's remuneration for audit of the financial statements (the Company)	8	11

KDC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. Staff costs

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	-	28
Social security costs	-	3
	<u>-</u>	<u>31</u>

As with many groups of the size of the UK&I group, employees are often contractually employed by other companies within the UK&I group. The majority of UK&I group employees are contractually employed by Veolia ES (UK) Limited. The above reflects the allocation of staff and attributable cost recharged via the UK payroll system which is regularly updated to reflect which company the employee provides services to, irrespective of their contract of employment.

The average monthly number of employees, including the Directors, during the year was as follows:

	2019 No.	2018 No.
Office & administration	-	1
	<u>-</u>	<u>1</u>

6. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments paid by the Company	-	31
	<u>-</u>	<u>31</u>

In 2018, one Director was paid £31k directly by the Company. There were no pension contributions.

In 2019, all Directors are paid by, and perform services for, other companies within the Group alongside their services to this Company. Whilst not being paid by the Company, in 2019, the remaining Directors' costs have been apportioned to the principal companies they serve within the UK&I group. Had all the Directors' costs, including those paid directly by the Company, been recharged to each of the companies those Directors serve, the Company would have incurred £3k (2018: £31k) of Directors emoluments, including £nil (2018: £nil) of pension contributions.

7. Income from investments

	2019 £000	2018 £000
Interim dividends received from Group fellow subsidiaries	-	4
	<u>-</u>	<u>4</u>

KDC HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Interest payable and similar charges

	2019 £000	2018 £000
Other interest payable	-	32
	<u> </u>	<u> </u>

9. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on loss for the year	(2)	(7)
	<u> </u>	<u> </u>
Total current tax	(2)	(7)
	<u> </u>	<u> </u>
Taxation on loss on ordinary activities	(2)	(7)
	<u> </u>	<u> </u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before tax	(8)	(97)
	<u> </u>	<u> </u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(2)	(18)
Effects of:		
Expenses not deductible for tax purposes	-	11
	<u> </u>	<u> </u>
Total tax credit for the year	(2)	(7)
	<u> </u>	<u> </u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

KDC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2019	9,690
At 31 December 2019	9,690

All the Company's direct holdings in subsidiaries, joint ventures, associates and other significant interests are shown below and are registered at 210 Pentonville Road, London, N1 9JY ("210").

All the Company's indirect holdings in subsidiaries, joint ventures, associates and other significant interests are listed in note 17.

10.1 Direct subsidiary undertaking

Name	Registered address	Class of shares	Holding	Principal activity
KDC Contractors Limited	210	Ordinary	100 %	Decommissioning, demolition and land remediation services

11. Debtors: amounts falling due within one year

	2019 £000	2018 £000
Corporation tax recoverable	9	7

12. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Short-term loans from Group fellow subsidiaries	1,316	1,316
Accruals	17	9
	1,333	1,325

KDC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
100,000 (2018: 100,000) ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

14. Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

15. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Balances outstanding as at 31 December 2019 with all related parties are disclosed in note 12.

There were no trading transactions entered into during the year to 31 December 2019 with other related parties.

16. Post balance sheet events

The Company has considered the impact of COVID-19 on the Company's financial statements, noting that there remains significant uncertainty as to the length and extent of the impact on individuals, communities and the economy as whole, and therefore it is not possible to accurately estimate the potential impacts at this stage. Due to the fact that environmental management is designated an essential service, and based on the Company's current assessment of risks, no material impacts or uncertainties have been identified which require adjustment in the financial statements and it is not expected to have a material impact on the Company's and its subsidiary's ongoing business.

The Company's subsidiary is working with its main customers to ensure that all required aspects of the contracts can continue to be delivered during the COVID-19 outbreak. Given that environmental management has been designated by the government as an essential service it is expected that all material services within the contracts will continue to be delivered, other than as discussed below.

The Company's subsidiary has been adversely impacted by the suspension of certain projects and the delay in the start of other projects, and the practicalities of social distancing when performing decommissioning and demolition work, where client sites are now open. However, the Company's subsidiary has been proactively working with its main customers to manage any service changes needed in the current situation to maintain business continuity.

The Directors have considered the areas of the accounts that could have been potentially be impacted by this, noting that, as COVID-19 is considered a non-adjusting post balance sheet event, any impact would be reflected in the results for 31 December 2020, and assessed that in respect of the balances as at 31 December 2019:

- no adverse material impact is expected on the carrying value of investments;
- no other estimates or judgments would require reassessment as a result of COVID-19.

KDC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Post balance sheet events (continued)

The Directors have also considered potential impacts to the future performance of the Company's subsidiary, which may in turn impact their ability to pay dividends to the Company, and note the following potential risks arising as a result of the impacts of COVID-19:

- contractual and operational impacts, as noted above, as well as the availability of the workforce, appropriate protective equipment and critical supplies including spare parts and chemicals, which will be key to the continued delivery of the contractual obligations to the Company's subsidiary's main customers. At this stage, the Company's subsidiary believes that it has access to the supplies and workforce necessary to maintain its operations but there is a risk this could change as the situation develops.

17. Indirect holdings in subsidiary undertakings and joint ventures

All the Company's indirect holdings in subsidiaries, joint ventures, associates and other significant interests are shown below and are registered at 28 Castle Road, Bankside Industrial Estate, Falkirk, Scotland, FK2 7UY.

17.1 Subsidiary undertakings

Name	Registered address	Class of shares	Holding	Principal activity
K-Land Solutions Limited	as above	Ordinary	100 %	Dormant entity (Dissolved subsequent to the year end on 19 May 2020)

18. Immediate parent and controlling party

The immediate parent company is Veolia ES (UK) Limited, a company incorporated in the UK.

Veolia Environmental Services (UK) Plc is an intermediate parent undertaking that prepares consolidated financial statements, including KDC Holdings Limited, that are publicly available. Copies of the consolidated financial statements for Veolia Environmental Services (UK) Plc are available from the registered office at 210 Pentonville Road, London, N1 9JY.

The ultimate parent and controlling company is Veolia Environnement S.A., a company incorporated in France. Consolidated financial statements are prepared by Veolia Environnement S.A. Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the registered office at 21 rue La Boétie, 75008 Paris, France.