Cornwall Energy Recovery Ltd

Annual report and financial statements

Registered number 05696514

Year ended 31 March 2022

Company Information

Directors	M Kanai R Kadiwar P Ashbrook H Artuc M Thompson A Thakrar C Thorn
Company secretary	SUEZ Recycling and Recovery UK Limited
Company number	05696514 - incorporated in England & Wales
Registered office	SUEZ House Grenfell Road Maidenhead Berkshire SL6 1ES
Auditor	Mazars LLP 90 Victoria Street Bristol BS1 6DP

Contents

Strategic report

The directors present their strategic report, directors' report and financial statements for the year ended 31 March 2022.

Principal activities

The company has signed a PFI contract with Cornwall County Council to cover the provision of a waste treatment infrastructure.

The principal activities of the company are the construction and operation of the waste treatment infrastructure on behalf of the Council. The infrastructure comprises the Cornwall Energy Recovery Centre (CERC) together with a number of Household Waste Recycling Centres, Materials Recovery Facilities and Waste Transfer Stations.

Business review

The company's key financial performance indicators were as follows:

	2022	2021
	£000	£000
Turnover	**49,266**	42,484
Operating profit	**11,576**	6,405
Profit after tax	**4,666**	2,307
Shareholders funds/ (deficit)	**4,346**	5

The Contract with the Authority continues to be run successfully and the CERC has performed well, in particular benefitting from high electricity prices in the second half of the year.

The results for the Company for the year are set out in the Income Statement and Statement of Comprehensive Income on page 14 and the Company's position at the end of the financial year is stated on the Balance Sheet on page 15.

Covid-19

The impact of Covid-19 has been considered and the directors are of the opinion that this will have no significant impact on the going concern status of the company.

The Company continues to provide normal services under the PFI contract with Cornwall County Council. The Cornwall Energy Recovery Centre (CERC), Materials Recovery Facilities and Waste Transfer Stations have all remained open and operating during the pandemic. The Household Waste Recycling Centres, which had closed for a period in the prior year, were fully open and operated normally.

Strategic report*(continued)*

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as operational risks, competitive risks, legislative risks, health & safety risks and financial risks.

Operational risks

The Company's primary operations involve a major public sector contract of 30 years, where default on the contract may result in substantial compensation payments to the client.

The long term contract also exposes the Company to the risk that the contract's revenue profile over the life of the contract may be insufficient to compensate the Company for unforeseen cost increases and hence losses may result. The Company has put in place rigorous tender approval procedures to ensure all material risks are properly considered. The Company's management and review procedures are aimed at ensuring any problems are identified at an early stage and steps are taken to mitigate any losses arising.

Competitive risks

Most of the Company's revenue is derived from long term fixed price contracts and as such is not vulnerable to competitor activity. A significant part of the Company's revenue comes from third party waste disposal and the sale of recycled materials. These are subject to normal market pressures.

Legislative risks

The waste management business is subject to strict legislation and regulation. These standards are subject to continuous revision. Compliance with new standards can impose additional costs on the Company and failure to comply could result in heavy penalties.

The Company has entered into a long term operating subcontract with SUEZ Recycling and Recovery UK Ltd, an experienced waste operator, to manage day to day operation of the Company's facilities. A non-compliance with legislation caused by the negligence of the operator would result in any associated penalties being recharged to the subcontractor. The Company has the right to terminate the operator subcontract in the event of any material persistent non-compliance with legislation on the part of the operator.

Health & safety risks

Whilst the Company has no direct employees, it acknowledges that subcontractors' employees working within the waste management industry face significant potential hazards in their everyday work. In addition, sites managed by the Company are open to the public and require constant monitoring to ensure that members of the public are not also exposed to significant risks.

The Company encourages subcontractors to meet the highest standards so that the risk to both employees and others visiting Company sites is minimised. Subcontractors are required to report accidents and near misses on a regular basis and these reports are reviewed at Board meetings. Subcontractors are encouraged to take pre-emptive action where risks to employees or members of the public have been identified.

Financial instrument risks

The Company was set up as part of a Project Finance structure to manage the provision of waste services for the County of Cornwall over a 30 year period. Financial instruments were used to minimise the long term financial risks associated with such a major project.

Interest rate risk – The Company's principal financial instruments comprise a term loan and an equity bridge loan, split equally across three lenders. These loans are exposed to interest rate risk. The Company has entered into three identical fixed rate swap agreements to avoid volatility in interest charges on its floating rate loans. The Company has applied hedge accounting requirements to account for the derivative swap agreements and the associated loans; their relationships being accounted for as cash flow hedges – see note 19 to the accounts.

Strategic report*(continued)*

The Company's exposure to credit risk and liquidity risk and the procedures in place to manage these risks are explained in note 19 to the accounts. The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities.

This report was approved by the board and signed on its behalf on 19 August 2022 by

C Thorn – Director

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2022.

Result and Dividends

The profit for the year, after taxation, amounted to £4,666,000 *(2021 - £2,307,000).*

Dividend of £6,043,000 were paid in the year ended 31 March 2022 *(2021 - £1,350,000).*

Directors

The directors who held office during the year and to the date of signing were as follows:

F Duval (resigned 1 December 2021)
R Kadiwar
Y Suzuki (resigned 1 September 2021)
A Clapp (resigned 26 August 2021)
P Ashbrook
H Artuc
G McKenna-Mayes (deceased 24 June 2021)
M Thompson (appointed 28 June 2021)
J Linney (appointed 26 August 2021, resigned 29 March 2022)
M Kanai (appointed 1 September 2021)
C Thorn (appointed 1 December 2021)
A Thakrar (appointed 29 March 2022)

No director who held office on 31 March 2022 had an interest in the Company's shares either during the financial year or at 31 March 2022.

Directors' indemnity

The Company has granted indemnity to one or more of its directors against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Going Concern

The directors have reviewed the Company's financial position at 31 March 2022 and believe that the Company has adequate financial resources to meet its obligations for the foreseeable future. Long term loans are in place to finance the construction of the CERC at St Dennis and cashflow is sufficient to meet the Company's operational cash commitments. Accordingly, they have prepared the accounts on a going concern basis. The impact of Covid-19 has been assessed by the directors (as noted on page 4) and it is considered it does not have an impact on the going concern basis of the company. Accordingly, they have prepared the accounts on a going concern basis.

Employee Involvement

The Company has no direct employees, all provision of services having been subcontracted to third parties.

Company policy for payment of creditors

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

Streamlined Energy and Carbon Reporting

The Company is classified as a large unquoted company under the definitions set in Section 465 and 466, Chapter 15, of the Companies Act 2006, and therefore is required to comply with government legislation implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") on Streamlined Energy and Carbon Reporting (SECR). However, under paragraph 20D (7) of the 2018 Regulations, the Company is exempt from the disclosure requirements by virtue of the Company's energy consumption in the UK being less than 40 MWh during the period. The management of the day to day operations of the Company's facilities are subcontracted and therefore energy consumption related to the operation of the facilities are by the subcontracting operator.

Directors' report *(continued)*

Statement in respect of Section 172(1) of the Companies Act 2006

The board of directors of the Company, both individually and collectively, consider they have acted appropriately and in such a way as to promote the long term success of the Company for the benefit of its members as a whole.

The Company have no direct employees as the Company are managed under an Administrative Services Agreement (ASA) and Services Agreement (SA). The board of Directors is satisfied that those people employed under the ASA / SA are appropriately qualified and have the support systems in place to carry out their role. The Directors are engaged with each team under the ASA / SA to ensure the ongoing management of the underlying contracts of the Company and they work collaboratively with the teams to achieve success.

The Group is a holding company for special purpose companies which have a finite lifespan with a defined set of obligations under a PFI Contract. The Group delivers its objectives through effective relationships with its stakeholders including suppliers and customers. This is affected by regular reporting and reviews with suppliers and customers to ensure delivery of the Group's objectives, whilst considering those stakeholders' needs. The Directors of the Company meet regularly to review strategies for effective risk mitigation and service delivery in the context its impact on all stakeholder interests, including shareholders, suppliers, customers and the wider community.

Due to the nature of the Group's operations, their impact on the community and environment is of paramount importance to the Group's success. Operating safely is the Group's primary objective and is as such integrated in everything the Group undertakes. A safe environment is managed through effective leadership, implementation of robust policies, procedures and instructions, safety management review processes both internally and externally with relevant stakeholders, reporting, audit and monitoring. An independent safety advisor is appointed by each of the companies within the Group, who reports directly to the Board of Directors.

The Group delivers contracts to support essential services to the public sector and takes its responsibility for ensuring that an appropriate environment is managed and maintained extremely seriously, ensuring the highest quality service is delivered from the assets under the Group's management.

Matters covered in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic report. These matters relate to financial instrument risk.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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. Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and applicable law.

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS in conformity with the requirements of the Companies Act 2006 have been followed subject to any material departures disclosed and explained in the financial statements; and

Directors' report *(continued)*

Statement of Directors' Responsibilities *(continued)*

- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

Auditor

The re-appointment of auditors will be considered at the Company's AGM.

By order of the board on 19 August 2022

C Thorn – Director

Independent auditor's report to the members of Cornwall Energy Recovery Ltd

We have audited the financial statements of Cornwall Energy Recovery Limited (the 'company') for the year ended 31 March 2022 which comprise the Income statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards; 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. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Cornwall Energy Recovery Limited (continued)

Opinions 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 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 set out on page 8, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: environmental regulation, health and safety regulation, anti-money laundering regulation.

Independent auditor's report to the members of Cornwall Energy Recovery Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to cash-flow hedges, maintenance provisions, recognition of deferred tax asset, revenue recognition (which we pinpointed to the cut-off and accuracy assertions), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 Cornwall Energy Recovery Limited (continued)

Use of the audit report

This report is made solely to the company's members as a body 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 as a body for our audit work, for this report, or for the opinions we have formed.

Jon Barnard (Aug 23, 2022 17:27 GMT+1)

Jonathan Barnard (Senior Statutory Auditor)
for and on behalf of Mazars LPP
Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol
BS1 6DP

Aug 23, 2022

Income Statement
for the year ended 31 March 2022

	Note	**Year ended 31 March 2022 £000**	Year ended 31 March 2021 £000
Revenue	*3*	**49,266**	42,484
Operating expenses	*4*	**(37,690)**	(36,079)
Operating profit		**11,576**	6,405
Financial income	*7*	**8,300**	8,796
Financial expense	*7*	**(11,748)**	(12,194)
Net financing expense		**(3,448)**	(3,398)
Profit on ordinary activities before tax		**8,128**	3,007
Taxation	*8*	**(3,462)**	(700)
Profit for the year		**4,666**	2,307

Statement of Comprehensive Income
for the year ended 31 March 2022

		Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Profit for the year		**4,666**	2,307
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**6,728**	4,231
Deferred tax charge on other comprehensive income	*11*	**(1,010)**	(804)
Other comprehensive income for the year, net of deferred tax		**5,718**	3,427
Total comprehensive gain for the year		**10,384**	5,734

All profit and total comprehensive income is attributable to continuing operations.

The notes on pages 18 to 35 form part of these financial statements.

Balance Sheet
at 31 March 2022

Company registered number: 05696514

	Note	2022 £000	2021 £000
Non-current assets			
Financial assets	*9*	**149,752**	161,795
Other receivables	*12*	**1,760**	2,032
		151,512	163,827
Current assets			
Financial assets	*9*	**12,044**	11,316
Trade and other receivables	*12*	**15,197**	7,559
Cash and cash equivalents	*13*	**35,145**	27,235
		62,386	46,110
Total assets		**213,898**	209,937
Current liabilities			
Trade and other payables	*15*	**(17,975)**	(6,064)
Interest-bearing loans and borrowings	*14*	**(8,135)**	(7,780)
		(26,110)	(13,844)
Non-current liabilities			
Interest-bearing loans and borrowings	*14*	**(160,661)**	(171,692)
Other financial liabilities	*10*	**(11,500)**	(18,642)
Provisions	*16*	**(5,589)**	(4,006)
Net deferred tax liability	*11*	**(5,692)**	(1,748)
		(183,442)	(196,088)
Total liabilities		**(209,552)**	(209,932)
Net assets		**4,346**	5
Equity			
Share capital	*18*	**10**	10
Hedging reserve	*17*	**(3,358)**	(9,076)
Retained earnings	*17*	**7,694**	9,071
Total Shareholder fund - equity		**4,346**	5

These financial statements were approved and authorised for issue by the board of directors on 19 August 2022 and were signed on its behalf by:

C Thorn – Director

Statement of Changes in Equity

	Share capital £000	**Hedging reserve £000**	**Retained earnings £000**	**Total equity £000**
Balance at 1 April 2021	**10**	**(9,076)**	**9,071**	**5**
Total comprehensive income for the year				
Profit for the year	-	-	**4,666**	**4,666**
Other comprehensive income	-	**5,718**	-	**5,718**
Dividends paid	-	-	**(6,043)**	**(6,043)**
Balance at 31 March 2022	**10**	**(3,358)**	**7,694**	**4,346**

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2020	10	(12,503)	8,114	(4,379)
Total comprehensive income for the year				
Profit for the year	-	-	2,307	2,307
Other comprehensive income	-	3,427	-	3,427
Dividends paid	-	-	(1,350)	(1,350)
Balance at 31 March 2021	10	(9,076)	9,071	5

Cash Flow Statement
for the year ended 31 March 2022

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Cash flows from operating activities		
Profit for the year	**4,666**	2,307
Adjustments for:		
Financial income	**(8,300)**	(8,796)
Financial expense	**11,748**	12,194
Taxation	**3,462**	700
Movement on non-financial asset/provisions	**1,583**	661
Amortisation of other non current financial assets	**1,010**	996
	14,169	8,062
Increase in trade and other receivables	**(7,638)**	(453)
Increase/(decrease) in trade and other payables	**11,384**	(30)
	3,746	(483)
Net cash inflow from operating activities	**17,915**	7,579
Cash flows from investing activities		
Interest received	**15**	-
Increase/ (decrease) in financial assets	-	(314)
Repayment of concession debtor	**17,546**	17,358
Net cash outflow from investing activities	**17,561**	17,044
Cash flows from financing activities		
Interest paid	(7,185)	(9,453)
Loans repaid	(14,338)	(9,852)
Dividends paid	(6,043)	(1,350)
Net cash (outflow) from financing activities	**(27,566)**	(20,655)
Net increase in cash and cash equivalents	**7,910**	3,968
Cash and cash equivalents at 1 April	**27,235**	23,267
Cash and cash equivalents at 31 March	**35,145**	27,235
Represented by:		
Cash	**35,145**	27,235

Notes (forming part of the financial statements)

1 Accounting policies

Cornwall Energy Recovery Limited (the "Company") is a private company limited by shares incorporated and domiciled in England and Wales.

The address of the registered office and principal place of business is stated on page 2, and the nature of the Company operations and principal activities is stated on page 4. The financial statements have been presented in Pounds Sterling and this is the currency of the primary economic environment that the Company operates in.

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared using the accounting policies as set out below, which were used throughout all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes 1.8 and 2.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

1.3 Going concern

The Company currently has £168,796,000 of total debt (2021 - £179,472,000). The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it will be able to operate within the level of its current facilities. Long term loans are in place to finance the construction of the CERC at St Dennis and cash flow is sufficient to meet the Company's operational cash commitments.

The impact of Covid-19 on the going concern has been assessed and it is considered there is no significant impact as detailed in the Strategic report on page 4.

Having taken account of all available information, in particular the assessment of the impact of Covid-19 and forecasts for the next 12 months from the date of approval of the financial statements, and having performed the appropriate sensitivity analysis; the directors are of the opinion that it is appropriate to prepare the accounts on a going concern basis.

1.4 Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments, excluding the service concession financial asset

Non-derivative financial instruments comprise trade and other receivables, a service concession financial asset, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. For trade receivables the simplified approach is used, and the loss allowance is measured at the estimate of the lifetime expected credit losses. The amount of any loss allowance is recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments (continued)

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

The associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

1.7 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

1.8 Service concession financial asset

In accordance with IFRIC 12 and the various provisions of IFRS, the Company has determined the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts. Results of all service concessions which fall within the scope of IFRIC12 conform to the following policies depending on the rights to consideration under the service concessions:

Service concessions treated as financial assets

The Company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the grantor for the construction or upgrade services provided.

Revenue is recognised by allocating a proportion of total cash receivable to construction income and service income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable.

During the operational stage, cash received in respect of the service concessions is allocated to service and maintenance revenue based on its fair value, with the remainder being allocated between capital repayment and interest income using the effective interest method.

Notes*(continued)*

1 Accounting policies *(continued)*

1.8 Service concession financial asset (continued)

The financial assets are held as loans or receivables in accordance with IFRS 9: 'Financial instruments: Recognition and measurement'. Financial assets are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method less any impairment losses.

The Company has entered into a contract to provide waste management services on behalf of Cornwall County Council. The Company is contractually obliged to design, build and operate waste facilities, including household waste recycling centres, materials recycling centres, civic amenity sites, transfer stations and an Energy from Waste plant on behalf of Cornwall County Council, and has the right to use these facilities to provide waste management services. The grantor (Cornwall County Council) has agreed to provide a minimum guaranteed tonnage of waste to the facility and will pay a fixed price per tonne for this level of waste, with any further tonnage being subject to a different rate. The Company in return, will remove and treat the waste and is obliged to maintain the facilities under lifecycle clauses within the contract.

The Company has the right to both accept and process third party waste, and to generate electricity revenues at the waste facilities.

There are provisions in the contract for termination (and related compensation) in the event of default or voluntary termination by the operator or grantor. There is no provision in the contract for an extension of the contract period. The contract specifies that the waste management facilities are to be returned to Cornwall County Council at the end of the contract in an appropriate condition.

The service arrangement has been classified as a financial asset under IFRIC 12 due to the highly guaranteed nature of the expected revenues from the contract, which are expected to cover the fair value of the construction services.

The contract for the provision of waste management services with Cornwall County Council was renegotiated in the year ended 31 March 2013 following delays initially experienced in obtaining planning permission for the Energy from Waste plant.

1.9 Revenue

Service Concession Revenue is measured by a contractual fixed and variable fee less element of guaranteed revenue. Differences between the amounts recognised in the income statement and amount invoiced at the period end are shown in the statement of financial position as a contract asset or contract liability.

Electricity Revenue is recognised at contractual price per Megawatt recognised as the electricity is produced and imported by the plant.

Construction Revenue is recognised as a proportion of the construction cost to date compared to the total expected construction cost plus profit margin.

1.10 Financing income and expenses

Financing expenses comprise interest payable using the effective interest method. Financing income comprises interest on the service concession debtor and interest receivable on funds invested.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Foreign currency gains and losses are reported within finance income or finance expenses as appropriate.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 IFRSs adopted in these financial statements

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements for the year ended 31 March 2022

Effective from 1 January 2022:

- Annual Improvements Cycle 2018 – 2020.
- IAS 37 Amendment: Onerous Contracts: Cost of Fulfilling a Contract.
- IAS 16 Amendment: Property, Plant and Equipment: Proceeds before Intended Use.
- IFRS 3 Amendment: Reference to the Conceptual Framework.

Effective from 1 January 2023:

- IAS 1 Amendment: Classification of Liabilities as Current or Non-current and Deferral of Effective Date.
- IAS 1 Amendment: Disclosure of Accounting Policies.
- IAS 8 Amendment: Definition of Accounting Estimates.
- IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- IFRS 17 Insurance Contracts and IFRS 17 Amendment: Amendments to IFRS 17.

2 Judgments in applying accounting policies and key sources of estimation uncertainty

Judgments

The Company management makes judgments to define the appropriate accounting treatment to apply to certain activities and transactions, when the effective IFRS standards and interpretations do not specifically deal with the related accounting issue. This particularly applies in relation to the recognition of concession arrangements.

- **Service concession arrangements** – Consideration from contract with public sector entities for waste management service concessions is treated as either as contract receivables or an intangible asset or a mixture of both based on the right to receive cash from the arrangement. Management have used judgement to determine the fair value of the services provided when splitting the contractual receivables between the construction of assets, the operating of the facilities and the provision of financing. Further details of these arrangements is found in note 1.8.

Estimates

Due to uncertainties inherent in the estimation process, the Company regularly revises its estimates in light of currently available information. Final outcomes could differ from those estimates.

The key estimates and judgements used by the Company in preparing the Financial Statements relate mainly to:

- **Cash flow hedges** – estimates are used in the valuation of the fair value of cash flow hedges at the year end. (note 10). The mark-to-market valuation is adjusted for Debt Value Adjustment (DVA) estimated by management to reflect the expected gain from the swap providers' own default.

  A 0.5% increase to the DVA would result in £23,000 decrease in liability.
  A 0.5% decrease to the discount rate would result in £23,000 increase in liability.

Notes *(continued)*

3 Revenue

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Construction revenue	-	314
Service concession revenue	**20,002**	29,324
Electricity revenue	**29,264**	12,846
Total revenues	**49,266**	42,484

In the case of Service Concession Revenue the customer pays a fixed plus variable amount based on the contractual terms. The performance obligation to operate and maintain the facilities is satisfied over time as the plant is operated and maintained. If the services rendered by the company exceed the payment, a contract asset is recognised, if the payments exceed the services rendered a contract liability is recognised. Construction revenue is added to the service concession financial asset and intangible asset, it is recovered via the fixed monthly unitary charge.

4 Expenses and auditors' remuneration

Included in the operating profit for the year are the following:

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Service concession costs	**32,316**	31,001
Other expenses	**5,354**	5,060
	37,670	36,061
Auditors' remuneration:		
Audit of these financial statements	**20**	18
Total expenses	**37,690**	36,079

5 Staff numbers and costs

No staff are directly employed by the Company *(2021: none)*. Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges.

6 Directors' remuneration

The directors received no emoluments directly from the Company *(2021: £nil)*. During the year ended 31 March 2022, SUEZ Recycling and Recovery UK Limited, PIP Infrastructure Investments (No.5) Limited and I-Environment Investments Limited each charged the company £10,000 (*2021: £10,000*) for director services provided.

Notes *(continued)*

7 Finance income and expense

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Finance income		
Interest income on service concession financial assets	**8,285**	8,796
Bank interest	**15**	-
Total finance income	**8,300**	8,796
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	**(10,833)**	(11,231)
Other interest expense	**(915)**	(963)
Total finance expense	**(11,748)**	(12,194)

8 Taxation

Recognised in the income statement

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Current tax credit	**528**	-
Deferred tax charge		
Origination and reversal of temporary differences – current year	**2,936**	700
Origination and reversal of temporary differences – prior year	**(2)**	-
Deferred tax charge	**2,934**	700
Total tax charge	**3,462**	700

Notes *(continued)*

8 Taxation (continued)

Reconciliation of effective tax rate

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Profit for the year	**4,666**	2,307
Total tax charge	**3,462**	700
Profit excluding taxation	**8,128**	3,007
Tax using the UK corporation tax rate of 19% *(2021: 19%)*	**1,544**	571
Expenses not deductible for tax purposes, other than goodwill amortisation and impairments	**121**	129
Adjustments in respect of prior periods	**(2)**	-
Rate difference on deferred tax balances	**1,799**	-
Total tax charge	**3,462**	700

The increase to the corporation tax rate to 25% had been substantively enacted at the balance sheet date and will have an effect on future tax charges. The deferred tax balance has been adjusted to reflect this change.

9 Financial assets

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Non-current		
Service concession financial asset	**123,011**	133,027
Other non-current financial assets	**26,741**	28,768
	149,752	161,795

Other non-current financial assets include close out costs relating to an interest rate swap previously held by the Company of £22,822,000 (2021 - £24,248,000), along with £3,919,000 of loan close out costs (2021 - £4,520,000).

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Current		
Service concession financial asset	**10,015**	9,260
Other financial asset	**2,029**	2,056
	12,044	11,316

Notes *(continued)*

10 Other financial liabilities

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Non-current		
Financial liabilities held for trading (including derivatives)	4,477	11,206
Other non-current financial liabilities	7,023	7,436
	11,500	18,642

Other non-current financial liabilities relates to amounts owed to Cornwall County Council regarding profits realised on foreign exchange contracts. These will be repaid to the Council over the operational life of the CERC.

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2022 £000	Liabilities 2022 £000	Net Liabilities 2022 £000	Assets 2021 £000	Liabilities 2021 £000	Net Liabilities 2021 £000
Financial assets	-	(18,115)	(18,115)	-	(14,142)	(14,142)
Tax losses and credits	9,937	-	9,937	9,504	-	9,504
On fair value of cash flow hedges	1,119	-	1,119	2,129	-	2,129
Other timing differences	1,367	-	1,367	761	-	761
Net tax (liabilities)	12,423	(18,115)	(5,692)	12,394	(14,142)	(1,748)

Movement in deferred tax during the year

	1 April 2021 £000	Recognised in income £000	Recognised in equity £000	31 March 2022 £000
Financial assets	(14,142)	(3,973)	-	(18,115)
Tax losses and credits	9,504	433	-	9,937
On fair value of cash flow hedges	2,129	-	(1,010)	1,119
Other timing differences	761	606	-	1,367
	(1,748)	(2,934)	(1,010)	(5,692)

Notes *(continued)*

11 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the year ended 31 March 2021

	1 April 2020 £000	Recognised in income £000	Recognised in equity £000	31 March 2021 £000
Financial assets	(13,911)	(231)	-	(14,142)
Tax losses and credits	10,099	(595)	-	9,504
On fair value of cash flow hedges	2,933	-	(804)	2,129
Other timing differences	635	126	-	761
	(244)	(700)	(804)	(1,748)

12 Trade and other receivables

	2022 £000	2021 £000
Current		
Trade debtors	**4,597**	429
Contract assets	**9,455**	6,031
Other receivables	**1,145**	1,099
	15,197	7,559

The trade and other receivables above are all current receivables.

Non current

	2022 £000	2021 £000
Other receivables	**1,760**	2,032
	1,760	2,032

There are no unimpaired trade receivables that are past due as at the reporting date.

No receivables have been written off as uncollectible during the year (2021: £NIL) and it has not been necessary to recognise any impairment loss under the expected lifetime loss model.

13 Cash and cash equivalents

	2022 £000	2021 £000
Cash and cash equivalents	**35,145**	27,235
Cash and cash equivalents	**35,145**	27,235

Notes *(continued)*

14 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 19.

	2022 £000	2021 £000
Current liabilities		
Secured bank loans	**8,135**	7,780
Non-current liabilities		
Secured bank loans	**129,062**	137,199
Subordinated loan	**31,599**	34,493
	160,661	171,692

Terms and debt repayment schedule

	Currency	Nominal interest rate	Facility	Year of maturity	Face value 2022 £000	Carrying amount 2022 £000	Face value 2021 £000	Carrying amount 2021 £000
Term Loan	GBP	SONIA + 3%	£101,595,000	2034	77,690	77,690	81,774	81,774
Change in Law Loan	GBP	SONIA + 3%	£3,000,000	2034	-	-	-	-
EIB Loan	GBP	3.977%	£81,422,000	2033	59,507	59,507	63,205	63,205
Subordinated Loan	GBP	11%		2034	31,599	31,599	34,493	34,493
					168,796	**168,796**	179,472	179,472

The Company entered into swap arrangements on 21 March 2013 to hedge the Company's exposure to SONIA fluctuations. The fixed interest rate inherent in the swap contracts is 2.897%.

The Term loan and Change in Law loan are due to be repaid in full by 30 September 2034.

The EIB loan is due to be repaid in full by 30 September 2033.

The Subordinated loan is a loan from the parent company Cornwall Energy Recovery Holdings Limited.

The loans are secured by a fixed charge over the assets of the Company.

15 Trade and other payables

	2022 £000	2021 £000
Current		
Accruals & other creditors	**17,447**	6,064
Corporation tax	**528**	-
	17,975	6,064

Included within trade and other payables is £nil expected to be paid in more than 12 months *(2021 - £Nil).*

Notes*(continued)*

16 Provisions

	Lifecycle maintenance provision £000
As at 1 April 2021	**4,006**
Movement	**1,583**
As at 31 March 2022	**5,589**

A provision is held for the costs of maintaining and replacing assets as required under the terms of the contract with Cornwall County Council.

17 Reserves

Hedging Reserve
Hedging reserves relate to the use of Hedge Accounting as detailed in accounting policy 1.6.

Retained earnings
Retained earnings are distributable reserves made up of accumulated profit and loss.

18 Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
Ordinary shares of £1each	**10**	10
Shares classified in shareholders' funds	**10**	10
	10	10

The authorised share capital of the Company is 10,000 £1 ordinary shares. These shares carry voting rights but no rights to fixed income from the Company.

Notes *(continued)*

19 Financial instruments

19 *(a) Fair values of financial instruments*

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Service concession financial asset

The fair value of service concession financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Derivative financial instruments

The Company has entered into interest rate swaps to hedge against volatility of movements in interest rates. These have been designated as cash flow hedges.

The fair value of the interest rate swap is based on a mark-to-market valuation. This quote is tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement datc. The interest rates used to discount estimated cash flows, where applicable, are based on one month and six month SONIA yield curves at the balance sheet date.

Notes*(continued)*

19 Financial instruments (continued)

19 *(a) Fair values of financial instruments (continued)*

Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2022 £000	**Fair value 2022 £000**	Carrying amount 2021 £000	Fair value 2021 £000
Financial assets				
Service concession financial asset	**133,026**	**133,026**	142,287	142,287
Other financial assets	**28,770**	**28,770**	30,824	30,824
Cash and cash equivalents	**35,145**	**35,145**	27,235	27,235
Trade and other receivables	**16,957**	**16,957**	9,591	9,591
Total financial assets	**213,898**	**213,898**	209,937	209,937
Non-Financial assets	-	-	-	-
Total assets	**213,898**	**213,898**	209,937	209,937

	Carrying amount 2022 £000	**Fair value 2022 £000**	Carrying amount 2021 £000	Fair value 2021 £000
Financial liabilities				
Other non-current financial liabilities	**7,023**	**7,023**	7,436	7,436
Other interest-bearing loans	**168,796**	**168,796**	179,472	179,472
Trade and other payables	**17,976**	**17,976**	6,064	6,064
Derivative financial instrument liabilities	**4,477**	**4,477**	11,206	11,206
Total financial liabilities	**198,272**	**198,272**	204,178	204,178
Non-financial liabilities	**11,280**	**11,280**	5,754	5,754
Total liabilities	**209,552**	**209,552**	209,932	209,932

19 Financial instruments (continued)

19 (a) Fair values of financial instruments (continued)

Fair value hierarchy

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities classified as cash flow hedges	-	**(4,477)**	-	**(4,477)**

2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities classified as cash flow hedges	-	(11,206)	-	(11,206)

19 (b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company will receive its revenue from a government body and therefore is not considered to be exposed to significant credit risk. The Company holds bank accounts and enters into interest rate swap agreements with financial institutions. The quality of these is reviewed on a regular basis.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore the maximum exposure to credit risk at the balance sheet date was £213,898,000 (2021: £209,937,000) being the total of the carrying amount of financial assets and trade and other receivables shown in the table shown in 19(a). This exposure is all in the UK.

20 (c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has adopted a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet obligations as they fall due.

The directors have reviewed the Company's cashflow forecasts. These forecasts demonstrate that the Company expects to meet its liabilities as they fall due.

Repayment of the loans is not required until the waste facilities are fully operational and revenue is receivable under the terms of the Concession Agreement.

Notes *(continued)*

19 Financial instruments *(continued)*

19 (c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2022						2021					
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and Over £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and Over £000
Non-derivative financial liabilities												
Secured bank loans	137,197	137,197	8,135	9,772	35,386	83,904	144,979	144,979	7,780	8,135	32,826	96,238
Subordinated loan	31,599	31,599	-	-	-	31,599	34,493	34,493	-	-	-	-
Trade and other payables	17,448	17,448	17,448	-	-	-	6,064	6,064	6,064	-	-	-
Derivative financial liabilities												
Interest rate swaps used for hedging	4,477	14,719	2,029	1,909	4,825	5,956	11,206	16,857	2,138	2,029	5,288	7,402
	190,721	200,963	27,612	11,681	40,211	121,459	196,742	202,393	15,982	10,164	38,114	138,133

19 (d) Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and are also expected to affect profit or loss:

	2022						2021					
	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps:												
Liabilities	4,477	14,719	2,029	1,909	4,825	5,956	11,206	16,857	2,138	2,029	5,288	7,402
	4,477	14,719	2,029	1,909	4,825	5,956	11,206	16,857	2,138	2,029	5,288	7,402

Notes *(continued)*

19 Financial instruments *(continued)*

19 (d) Cash flow hedges (continued)

The following table details the notional principle amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date.

	Average contract fixed interest/inflation rate		Notional principle value		Fair value	
	2022	*2021*	**2022**	*2021*	**2022**	*2021*
	%	*%*	**£000**	*£000*	**£000**	*£000*
Interest rate swaps	**2.897**	*2.897*	**77,701**	*84,359*	**(4,477)**	*(11,206)*

19(e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The Company manages interest rate risk by having swapped its variable rate debt into a fixed rate agreement at the start of the project and manages foreign exchange risk by entering into certain foreign exchange forward contracts.

Interest rate risk

The term and bridging loans are exposed to interest rate risk.

The Company has entered into three identical fixed interest rate swap agreements to avoid volatility in debt service costs on its floating rate term loan. It is considered that these agreements constitute cash flow hedges.

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was

	2022	2021
	£000	£000
Fixed rate instruments		
Financial assets	**133,026**	142,287
Financial liabilities	**(91,106)**	(97,698)
	41,920	44,589
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**(77,690)**	(81,774)
	(77,690)	(81,774)

Sensitivity analysis

No sensitivity analysis is presented as the majority of the variable rate interest costs have been fixed by means of interest rate swap contracts and foreign exchange movements mitigated by forward contracts.

Notes *(continued)*

19 Financial instruments *(continued)*

19 (f) Capital management

The Company manages its cash, bank loans and equity as capital. The Company's principal objective is to ensure that the Company has sufficient capital to fund its construction programme and future maintenance obligations. Capital requirements and timings are reviewed regularly based on the requirement to make payments to subcontractors and lenders; and forecasts and models are used to monitor the management of cash resources. Loans are in place for the duration of the contract with Cornwall County Council.

20 Commitments

Capital commitments

The Company has entered into contracts to purchase plant and equipment and construction services under the contract with Cornwall County Council. The commitments outstanding at 31 March 2022 amount to £1.3m *(2021: £1.6m)*.

21 Related parties

During the year, the following transactions took place:

Party and relationship	**Transactions** 2022 £000	**Outstanding at 31 March** 2022 £000	Transactions 2021 £000	Outstanding at 31 March 2021 £000
SUEZ Recycling and Recovery UK Limited (33.3% shareholder in Cornwall Energy Recovery Holdings Limited)				
- Management, legal, construction and financing charges received	**32**	**17**	**334**	**17**
- Operational and maintenance charges received	**19,800**	**3,888**	**22,483**	**4,061**
- Other recharges received	**235**	**35**	**232**	**35**
Itochu Corporation (parent company of I-Environment Investments Limited (33.3% shareholder in Cornwall Energy Recovery Holdings Limited)				
- Other recharges received	**10**	**10**	10	10
PIP Infrastructure Investments (No.5) Limited (33.3% shareholder in Cornwall Energy Recovery Holdings Limited)				
- Other recharges	**10**	**10**	10	20
Cornwall Energy Recovery Holdings Limited (parent company of Cornwall Energy Recovery Limited)				
- Loan interest incurred	**3,663**	**31,599**	3,615	34,493

Transactions with key management personnel

There has been £83,000 paid to Ambialet Limited a company providing consultancy services as commercial advisors to the company (2021: £79,000). At 31 March 2022, the company owed Ambialet Limited £Nil (2021: £5,000).

Notes *(continued)*

22 Ultimate parent company and parent company of larger group

The Company is a wholly-owned subsidiary undertaking of Cornwall Energy Recovery Holdings Limited, a company incorporated in England & Wales. The consolidated financial statements of the holding company are the only accounts to include the results of this subsidiary company.

The consolidated financial statements of Cornwall Energy Recovery Holdings Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3VZ.

At 31 March 2019, 33.3% of Cornwall Energy Recovery Holdings Limited's share capital was owned by SUEZ Recycling and Recovery UK Limited, 33.3% by PIP Infrastructure Investments (No 5) Limited and 33.3% by I-Environment Investments Limited.

In the opinion of the Directors there is no ultimate controlling party.