

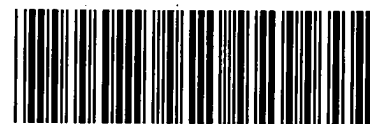
SITA Cornwall Holdings Limited

Directors' report and financial statements

Registered number 05710695

Year ended 31 March 2015

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COMPANIES HOUSE

Group Information

Directors

I Sexton
G McKenna-Mayes
M Thompson
N Cole
G Cohen
B Knox
R Kadiwar
E Higashiyama

Group secretary

SITA UK Limited

Group number

05710695 - incorporated in England & Wales

Registered office

SITA House
Grenfell Road
Maidenhead
Berkshire
SL6 1ES

Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

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Strategic report

The directors present their strategic report, directors' report and financial statements for the year ended 31 March 2015.

Principal activities

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

The principal activities of the Group are to construct and operate the waste treatment infrastructure on behalf of the Council. The infrastructure will comprise the Cornwall Energy Recovery Centre (CERC) together with a number of Household Waste Recycling Centres, Materials Recovery Facilities and a landfill site, although the latter will close once the CERC is complete.

The Company acts as a holding company.

Business review

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

	2015	2014	
	£000	£000	<i>Variance</i>
Turnover	73,864	75,724	-2%
Operating profit	3,985	2,930	+36%
Profit after tax	1,747	366	+377%
Shareholders (deficit)/ funds	(7,310)	4,776	-253%

The Group enjoyed a satisfactory year. The results were buoyed by the recognition of a margin relating to the construction activities of the CERC.

The successful completion of the CERC remains the main objective for the Group as it is a key component of the Cornwall waste infrastructure. Construction of the CERC commenced in September 2013 and is due to be completed in November 2015, enabling commissioning works to be undertaken ahead of full service commencement in May 2016. Construction activities remain broadly on schedule with the delays caused by some adverse weather conditions being countered through the implementation of a Recovery Plan to mitigate any slippage to the schedule. The Group has made good progress on the design work and negotiation of ancillary contracts for the Grid Connection and Incinerator Bottom Ash plant.

Principal risks and uncertainties

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

Operational risks

The Group'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 Group to the risk that the contract's revenue profile over the life of the contract may be insufficient to compensate the Group for unforeseen cost increases and hence losses may result. The Group has put in place rigorous tender approval procedures to ensure all material risks are properly considered. The Group'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.

Strategic report (continued)

Competitive risks

Most of the Group's revenue is derived from long term fixed price contracts and as such is not vulnerable to competitor activity. A significant part of the Group'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 Group and failure to comply could result in heavy penalties.

The Group has entered into a long term operating subcontract with SITA UK Ltd, an experienced waste operator, to manage day to day operation of the Group'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 Group 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 Group 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 Group are open to the public and require constant monitoring to ensure that members of the public are not also exposed to significant risks.

The Group encourages subcontractors to meet the highest standards so that the risk to both employees and others visiting Group 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

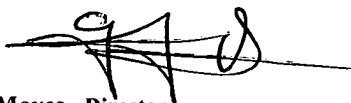
The Group was set up as part of a Project Finance structure to manage the provision of waste services for the County of Cornwall over a 30 year period. Financial instruments were used to minimise the long term financial risks associated with such a major project.

Interest rate risk – The Group'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 Group has entered into three identical fixed rate swap agreements to avoid volatility in interest charges on its floating rate loans. The Group 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 17 to the accounts.

Exchange rate risk – The main construction of the CERC is partially denominated in Euros, the costs of which are therefore exposed to exchange rate risk. The Group has entered into a series of forward Euro contracts covering the value and timing of the construction payments to be settled in Euros to avoid volatility in the cost to the Group – see note 17 to the accounts.

The Group's exposure to credit risk and liquidity risk and the procedures in place to manage these risks are explained in note 17 to the accounts. The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group's trading activities.

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



G McKenna-Mayes - Director

29 June 2015

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2015.

Result and Dividends

The profit for the year, after taxation, amounted to £1,747,000 (2014 – profit £366,000).

The directors do not recommend the payment of a dividend for the year ended 31 March 2015 (2014 - £Nil).

Future Developments

Construction of the CERC at St Dennis commenced in September 2013 and the plant is anticipated to be operational by 2016.

Directors

The directors who held office during the year were as follows:

I Sexton
G McKenna-Mayes
M Thompson
N Cole
T Hibino (resigned 14 August 2014)
B Marshall (resigned 16 March 2015)
G Cohen
B Knox (appointed 14 August 2014)
R Kadiwar (appointed 16 March 2015)
E Higashiyama (appointed 16 March 2015)

No director who held office on 31 March 2015 had an interest in the Company's shares either during the financial year or at 31 March 2015.

Directors' indemnity

The Group 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 Group's financial position at 31 March 2015 and believe that the Group 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 cash flow is sufficient to meet the Group's operational cash commitments. Accordingly, they have prepared the accounts on a going concern basis.

Employee Involvement

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

Group policy for payment of creditors

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

At 31 March 2015, the Group had an average of 86 days purchases outstanding in trade creditors (2014 – 34).

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.

Directors' report *(continued)*

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. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 Group and of the profit or loss of the Group 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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 and the Group'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 Group's auditor in connection with preparing its report and to establish that the Group'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



G McKenna-Mayes - Director

29 June 2015

Independent auditor's report to the members of SITA Cornwall Holdings Limited

We have audited the financial statements of SITA Cornwall Holdings Limited for the year ended 31 March 2015 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report to the members of SITA Cornwall Holdings Limited
(continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company, 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.



Jonathan Seaman (Senior Statutory Auditor)
for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

EW1 1DD

1 July 2015

Consolidated Income Statement

for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Revenue	1,2	73,864	75,724
Operating expenses	3	(69,879)	(72,794)
Operating profit		3,985	2,930
Financial income	6	3,648	668
Financial expense	6	(5,610)	(3,521)
Other gains and losses	6	(101)	438
Net financing expense		(2,063)	(2,415)
Profit before tax		1,922	515
Taxation	7	(175)	(149)
Profit for the year		1,747	366

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2015

		£000	£000
Profit for the year		1,747	366
Other comprehensive (loss) / income			
Effective portion of changes in fair value of cash flow hedges		(17,291)	4,696
Deferred tax on other comprehensive loss	11	3,458	(1,093)
Other comprehensive (loss) / income for the year, net of deferred tax		(13,833)	3,603
Total comprehensive (loss) / income/ for the year		(12,086)	3,969

The notes on pages 16 to 33 form part of these financial statements.

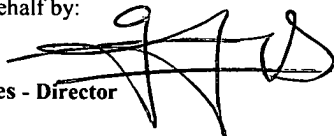
Consolidated Balance Sheet
at 31 March 2015

Group registered number: 05710695

	Note	2015 £000	2014 £000
Non-current assets			
Financial assets	9	129,951	85,415
Net deferred tax asset	11	3,409	126
		<u>133,360</u>	<u>85,541</u>
Current assets			
Trade and other receivables	12	9,647	8,283
Cash and cash equivalents	13	1,767	3,856
		<u>11,414</u>	<u>12,139</u>
Total assets		<u>144,774</u>	<u>97,680</u>
Current liabilities			
Trade and other payables	15	(6,325)	(2,797)
		<u>(6,325)</u>	<u>(2,797)</u>
Non-current liabilities			
Interest-bearing loans and borrowings	14	(118,945)	(78,908)
Other financial liabilities	10	(26,814)	(11,199)
		<u>(145,759)</u>	<u>(90,107)</u>
Total liabilities		<u>(152,084)</u>	<u>(92,904)</u>
Net (Liabilities) / Assets		<u>(7,310)</u>	<u>4,776</u>
Equity			
Share capital	16	10	10
Reserves		(14,159)	(326)
Retained earnings		6,839	5,092
Total (Deficit) / Equity		<u>(7,310)</u>	<u>4,776</u>

These financial statements were approved and authorised for issue by the board of directors on 29 June 2015 and were signed on its behalf by:

G McKenna-Mayes - Director



Company Balance Sheet
at 31 March 2015

	Note	2015 £000	2014 £000
Non-current assets			
Investments	8	10	10
Current assets			
Trade and other receivables	12	4	4
Net Assets		<u>14</u>	<u>14</u>
Total assets			
Equity			
Share capital	16	10	10
Retained earnings		4	4
Total Equity		<u>14</u>	<u>14</u>

These financial statements were approved by the board of directors on 29 June 2015 and were signed on its behalf by:



G McKenna-Mayes – Director

Company registered number:
05710695

Consolidated Statement of Changes in Equity

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2014	10	(326)	5,092	4,776
Total comprehensive loss for the year				
Profit for the year	-	-	1,747	1,747
Other comprehensive income	-	(13,833)	-	(13,833)
Balance at 31 March 2015	10	(14,159)	6,839	(7,310)

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2013	10	(3,929)	4,726	807
Total comprehensive loss for the year				
Profit for the year	-	-	366	366
Other comprehensive income	-	3,603	-	3,603
Balance at 31 March 2014	10	(326)	5,092	4,776

Company Statement of Changes in Equity

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 April 2014	10	4	14
Total comprehensive loss for the year			
Profit or loss	-	-	-
Balance at 31 March 2015	10	4	14

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 April 2013	10	4	14
Total comprehensive loss for the year			
Profit or loss	-	-	-
Balance at 31 March 2014	10	4	14

Consolidated Cash Flow Statement
for the year ended 31 March 2015

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Cash flows from operating activities		
Profit for the year	1,747	366
Adjustments for:		
Financial income	(3,648)	(668)
Financial expense	5,610	3,521
Ineffective portion of foreign exchange hedges	101	(438)
Taxation	175	149
	3,985	2,930
Increase in trade and other receivables	(1,364)	(1,471)
Increase/(decrease) in trade and other payables	3,528	(4,476)
	2,164	(5,947)
Net cash inflow/(outflow) from operating activities	6,149	(3,017)
Cash flows from investing activities		
Interest received	5	5
Increase in financial assets	(41,364)	(43,841)
Net cash outflow from investing activities	(41,359)	(43,836)
Cash flows from financing activities		
Proceeds from drawdown	40,037	51,008
Loans repaid	-	-
Interest paid	(5,610)	(2,606)
Commitment fees paid	(1,306)	(1,644)
Losses realised on foreign exchange contracts	-	(915)
Net cash inflow from financing activities	33,121	45,843
Net decrease in cash and cash equivalents	(2,089)	(1,010)
Cash and cash equivalents at 1 April	3,856	4,866
Cash and cash equivalents at 31 March	1,767	3,856

Notes

(forming part of the financial statements)

1 Accounting policies

SITA Cornwall Holdings Limited (the "Group") is a Group incorporated and domiciled in the UK.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("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 1.7 and 1.9.

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 Basis of consolidation

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006. The profit for the year was £Nil (2014 - £Nil).

1.4 Going concern

The Group currently has £118,945,000 of total debt (2014 - £78,908,000). The Group'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 Group's operational cash commitments.

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

1.5 Classification of financial instruments issued by the Group

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

- (a) they include no contractual obligations upon the Group 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 Group; and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group'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 Group'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.

1.6 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.

Notes (continued)

1 Accounting policies (continued)

1.6 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.

1.7 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.

1.8 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.

1.9 Service concession financial asset

In accordance with IFRIC 12 and the various provisions of IFRS, the Group 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 IFRIC 12 conform to the following policies depending on the rights to consideration under the service concessions:

Service concessions treated as financial assets

The Group 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)

1.9 Service concession financial asset (continued)

The financial assets are held as loans or receivables in accordance with IAS39: '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 Group has entered into a contract to provide waste management services on behalf of Cornwall County Council. The Group 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 Group in return, will remove and treat the waste and is obliged to maintain the facilities under lifecycle clauses within the contract.

The Group 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.

1.10 Revenue

Turnover comprises revenue recognised by the Group in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.11 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 profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported within finance income or finance expenses as appropriate.

1.12 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)

1.13 IFRSs issued but unadopted in these financial statements

The following Adopted IFRSs which are relevant to the Group have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 'Financial Instruments' (mandatory for year commencing on or after 1 January 2015).

2 Revenue - Group

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Service concession revenue	72,662	74,535
Other revenue	1,202	1,189
	<hr/>	<hr/>
Total revenues	73,864	75,724
	<hr/>	<hr/>

All turnover arose within the United Kingdom.

3 Expenses and auditors' remuneration - Group

Included in the profit for the year are the following:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Service concession costs	69,069	70,876
Other expenses	795	1,903
	<hr/>	<hr/>
	69,864	72,779
<i>Auditors' remuneration:</i>		
Audit of these financial statements	15	15
	<hr/>	<hr/>
Total expenses	69,879	72,794
	<hr/>	<hr/>

Notes (continued)

4 Staff numbers and costs - Group

No staff are directly employed by the Group (2014: 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.

5 Directors' remuneration - Group

The directors received no emoluments directly from the Group (2014: £nil). During the year ended 31 March 2015, SITA UK Limited, Aberdeen Infrastructure Investments (No.5) Limited and I-Environment Investments Limited each charged the Group £10,000 (2014 - £10,000) for director services provided.

6 Finance income and expense - Group

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<i>Finance income</i>		
Interest income on financial assets	3,643	663
Bank interest	5	4
Other interest	-	1
	<hr/>	<hr/>
Total finance income	3,648	668
	<hr/>	<hr/>
	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<i>Finance expense</i>		
Total interest expense on financial liabilities measured at amortised cost	5,958	2,606
(Gain)/loss on interest rate swaps, foreign exchange contracts and loan close out costs	(348)	915
	<hr/>	<hr/>
Total finance expense	5,610	3,521
	<hr/>	<hr/>
<i>Other(gains)/ losses</i>		
Charge/(credit) on ineffective portion of interest rate swaps	347	(347)
Credit on ineffective portion of foreign exchange hedges	(246)	(91)
	<hr/>	<hr/>
Total other losses/(gains)	101	(438)
	<hr/>	<hr/>

Notes (continued)

7 Taxation - Group

Recognised in the income statement

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Current tax charge	-	-
Deferred tax charge/ (credit)		
Origination and reversal of temporary differences – current year	174	149
Origination and reversal of temporary differences – prior year	1	-
Deferred tax charge	175	149
Total tax charge	175	149

Reconciliation of effective tax rate

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Profit for the year	1,747	366
Total tax charge	175	149
Profit excluding taxation	1,922	515
Tax using the UK corporation tax rate of 21% (2014: 23%)	403	118
Expenses not deductible for tax purposes, other than goodwill amortisation and impairments	(220)	24
Adjustments in respect of prior periods	1	-
Reduction in rate on deferred tax balances	(9)	7
Total tax charge	175	149

The UK corporation tax rate decreased from 23% to 21% from 1 April 2014. The impact on the current year's tax charge is shown above.

Further reductions to the UK corporation rate have been enacted at the balance sheet date, including the change in corporation tax rate to 20% from 1 April 2015. The prior year deferred tax balance has been adjusted to reflect this change (note 11).

Notes (continued)

8 Investments – Company

	2015	2014
	£000	£000
Cost and net book value		
Investment in subsidiary undertaking	10	10
	<hr/>	<hr/>
	10	10
	<hr/>	<hr/>

Shares in subsidiary undertakings represent a holding of 100% of the ordinary share capital of SITA Cornwall Limited. This company is incorporated in the UK.

9 Financial assets - Group

	Year ended 31	Year ended 31
	March 2015	March 2014
	£000	£000
Non-current		
Service concession financial asset	91,308	46,301
Other non-current financial assets	38,643	37,336
Financial assets held for trading (including derivatives)	-	1,778
	<hr/>	<hr/>
	129,951	85,415
	<hr/>	<hr/>

Other non-current financial assets include close out costs relating to an interest rate swap previously held by the Group of £19,960,000 (2014 - £19,960,000), along with £11,505,000 of loan close out costs (2014 - £11,505,000). These are recoverable from Cornwall County Council over the life of the project and will be recovered once the CERC is operational.

10 Other financial liabilities - Group

	Year ended 31	Year ended 31
	March 2015	March 2014
	£000	£000
Non-current		
Financial liabilities held for trading (including derivatives)	17,700	2,085
Other non-current financial liabilities	9,114	9,114
	<hr/>	<hr/>
	26,814	11,199
	<hr/>	<hr/>

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.

Notes (continued)

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Total assets	Assets	Liabilities	Total assets
	2015	2015	2015	2014	2014	2014
	£000	£000	£000	£000	£000	£000
Financial assets	(131)	-	(131)	65	-	65
On fair value of cash flow hedges	3,540	-	3,540	61	-	61
	<u>3,409</u>	<u>-</u>	<u>3,409</u>	<u>126</u>	<u>-</u>	<u>126</u>

The deferred tax asset recognised at the end of the year relates to the financial instruments designated as cash flow hedges and timing differences on the recognition of the financial asset for tax purposes.

Movement in deferred tax during the year

	1 April 2014	Recognised in income	Recognised in equity	31 March 2015
	£000	£000	£000	£000
Financial assets	65	(196)	-	(131)
On fair value of cash flow hedges	61	21	3,458	3,540
	<u>126</u>	<u>(175)</u>	<u>3,458</u>	<u>3,409</u>

Movement in deferred tax during the year ended 31 March 2014

	1 April 2013	Recognised in income	Recognised in equity	31 March 2014
	£000	£000	£000	£000
Financial assets	117	(52)	-	65
On fair value of cash flow hedges	1,251	(97)	(1,093)	61
	<u>1,368</u>	<u>(149)</u>	<u>(1,093)</u>	<u>126</u>

Notes (continued)

12 Trade and other receivables – Group and company

	2015	2014
	£000	£000
Group		
Trade debtors	2	3
Other receivables	9,645	8,280
	<u>9,647</u>	<u>8,283</u>
	<u><u>9,647</u></u>	<u><u>8,283</u></u>
 Company	 2015	 2014
	£000	£000
Due from related parties	4	4
	<u>4</u>	<u>4</u>
	<u><u>4</u></u>	<u><u>4</u></u>

The trade and other receivables above are all current receivables.

13 Cash and cash equivalents - Group

	2015	2014
	£000	£000
Cash and cash equivalents per balance sheet	1,767	3,856
	<u>1,767</u>	<u>3,856</u>
Cash and cash equivalents per cash flow statements	1,767	3,856
	<u><u>1,767</u></u>	<u><u>3,856</u></u>

14 Interest-bearing loans and borrowings - Group

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 17.

	2015	2014
	£000	£000
Non-current liabilities		
Secured bank loans	118,945	78,908
	<u><u>118,945</u></u>	<u><u>78,908</u></u>

Notes (continued)

14 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Facility	Year of maturity	Face value 2015 £000	Carrying amount 2015 £000	Face value 2014 £000	Carrying amount 2014 £000
Itochu Bridge Loan	GBP	2.96%	£10,914,000	2016	10,915	10,915	10,888	10,888
Equity Bridge Loan	GBP	LIBOR + 2%	£21,829,000	2016	21,829	21,829	21,829	21,829
Term Loan	GBP	LIBOR + 3%	£101,595,000	2034	47,851	47,851	25,641	25,641
Change in Law Loan	GBP	LIBOR + 3%	£3,000,000	2034	-	-	-	-
EIB Loan	GBP	3.977%	£81,422,000	2033	38,350	38,350	20,550	20,550
					118,945	118,945	78,908	78,908

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

The Itochu Bridge loan is due to be repaid by in full by 30 September 2016.

The Equity Bridge loan is due to be repaid in full by 30 September 2016.

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

15 Trade and other payables - Group

	2015 £000	2014 £000
Current		
Accruals & other creditors	6,325	2,797
	6,325	2,797

Included within trade and other payables is £Nil expected to be paid in more than 12 months (2014 - £Nil).

16 Share capital – Group and Company

	2015 £000	2014 £000
Allotted, called up and fully paid		
Ordinary shares of £1 each	10	10
	10	10
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	10	10
	10	10

Notes (continued)

16 Share capital (continued)

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

17 Financial instruments - Group

17 (a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding the service concession financial asset, 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.

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 Group 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 date. The interest rates used to discount estimated cash flows, where applicable, are based on one month and six month LIBOR yield curves at the balance sheet date.

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 2015 £000	Fair value 2015 £000	Carrying amount 2014 £000	Fair value 2014 £000
Financial assets				
Service concession financial asset	91,308	91,308	46,301	46,301
Other non current financial assets	38,643	38,643	37,336	37,336
Derivative financial instrument assets	-	-	1,778	1,778
Cash and cash equivalents	1,767	1,767	3,856	3,856
Trade and other receivables	9,647	9,647	8,283	8,283
Total financial assets	141,365	141,365	97,554	97,554

Notes (continued)

17 Financial instruments (continued)

	Carrying amount 2015 £000	Fair value 2015 £000	Carrying amount 2014 £000	Fair value 2014 £000
Financial liabilities				
Other non-current financial liabilities	9,114	9,114	9,114	9,114
Other interest-bearing loans	118,945	118,945	78,908	78,908
Trade and other payables	6,325	6,325	2,797	2,797
Derivative financial instrument liabilities	17,700	17,700	2,085	2,085
Total financial liabilities	152,084	152,084	92,904	92,904

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).

2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets classified as cash flow hedges	-	-	-	-
Financial liabilities classified as cash flow hedges	-	(17,700)	-	(17,700)
<hr/>				
2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets classified as cash flow hedges	-	1,778	-	1,778
Financial liabilities classified as cash flow hedges	-	(2,085)	-	(2,085)

Notes (continued)

17 Financial instruments (continued)

17 (b) Credit risk

Financial risk management

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

The Group will receive its revenue from a government body and therefore is not considered to be exposed to significant credit risk. The Group 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 £141,365,000 being the total of the carrying amount of financial assets and trade and other receivables shown in the table shown in 17 (a). This exposure is all in the UK.

17 (c) Liquidity risk

Financial risk management

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

The Group 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 Group's cashflow forecasts. These forecasts demonstrate that the Group 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)

16 Financial instruments (continued)

17 (c) Liquidity risk (continued)

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

2015							2014						
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to 5 years £000	5 years and over £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to 5 years £000	5 years and over £000	
Non-derivative financial liabilities													
Secured bank loans	118,945	118,945	(30,365)	(12,266)	24,985	136,591	78,908	78,908	(57,969)	(30,365)	3,940	163,302	
Trade and other payables	7,834	7,834	7,834	-	-	-	2,797	2,797	2,797	-	-	-	
Derivative financial liabilities													
Interest rate swaps used for hedging	12,560	14,141	810	2,263	3,130	7,938	(1,778)	14,726	555	810	4,398	8,963	
Forward exchange contracts used for hedging:													
Outflow	5,140	39,077	29,850	9,227	-	-	2,085	66,015	33,738	23,051	9,226	-	
Inflow		(33,937)	(26,114)	(7,823)	-	-		(63,930)	(32,594)	(22,350)	(8,986)	-	
	<u>144,479</u>	<u>146,060</u>	<u>(17,985)</u>	<u>(8,599)</u>	<u>28,115</u>	<u>144,529</u>	<u>82,012</u>	<u>98,516</u>	<u>(53,473)</u>	<u>(28,854)</u>	<u>8,578</u>	<u>172,265</u>	

Notes (continued)

17 Financial instruments (continued)

17 (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:

periods within the periods associated with cash flow measurement are expected to occur and are also expected to arise from the following table indicates												
</												

Notes (continued)

17 Financial instruments (continued)

17(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 Group's income or the value of its holdings of financial instruments. The Group 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 Group 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 Group's interest-bearing financial instruments was

	2015 £000	2014 £000
Fixed rate instruments		
Financial assets	91,308	46,301
Financial liabilities	(118,945)	(78,908)
	<u>(27,637)</u>	<u>(32,607)</u>
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>

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.

17 (f) Capital management

The Group manages its cash, bank loans and equity as capital. The Group's principal objective is to ensure that the Group 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.

Notes (continued)

18 Commitments - Group

Capital commitments

The Group 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 2015 amount to £64.2m (2014: £97.1m).

19 Related parties – Group

During the year, the following transactions took place:

Party and relationship	Transactions 2015 £000	Outstanding at 31 March 2015 £000	Transactions 2014 £000	Outstanding at 31 March 2014 £000
SITA (UK) Limited (33.3% shareholder in SITA Cornwall Holdings Limited from 22 March 2013, 45% shareholder beforehand)				
- Management legal and financing charges received	1,876	345	1,879	10
- Operational and maintenance charges received	26,007	2,513	25,209	-
- Other recharges received	233	15	227	15
- Charges made to SITA UK Limited	-	-	100	-
Itochu Corporation (parent Group of I-Environment Investments Limited (33% shareholder in SITA Cornwall Holdings Limited from 22 March 2013))				
- Bridge loan (interest charged and balance)	359	10,915	308	10,888
- Other recharges received	177	10	178	10
Aberdeen Infrastructure Investments (No.5) Limited (33% shareholder in SITA Cornwall Holdings Limited from 22 March 2013)				
- Other recharges	177	10	178	10
Ambialet Limited (a Group 100% owned by Ian Anthony Sexton, director)				
- Management charges received	71	6	144	-

Transactions with key management personnel

There has been no compensation of key management personnel (2014: £nil).

Company

During the year ended 31 March 2015, the company made no related party transactions. A balance of £4,000 was owed by SITA Cornwall Limited as at 31 March 2015 (2014 - £4,000).

Transactions with key management personnel

There has been no compensation of key management personnel (2014: £nil).

Notes (continued)

20 Ultimate parent Group and parent Group of larger group

SITA Cornwall Holdings Limited is owned and controlled by SITA UK Limited (33.3%), Aberdeen Infrastructure Investments (no.5) Limited (33.3%) and I-Environment Investments Limited (33.3%). The management of the company by the Board of Directors is subject to a Shareholders Agreement, which limits the ability of any one party to control the company. Aberdeen Infrastructure Investments (no.5) Limited and I-Environment Investments Limited have the power to jointly require a change to the main policies and procedures of the company and each has a right of veto over any proposed changes. SITA UK has no such powers to amend or block changes to the policies and procedures of the company. The directors therefore regard Aberdeen Infrastructure Investments (no.5) Limited and I-Environment Investments Limited to be in joint control of the entity.