Cornwall Energy Recovery Holdings Limited

Annual report and financial statements

Registered number 05710695

Year ended 31 March 2021

Company Information

Directors	F Duval R Kadiwar Y Suzuki A Clapp P Ashbrook H Artuc M Thompson
Company secretary	SUEZ Recycling and Recovery UK Limited
Company number	05710695 - incorporated in England & Wales
Registered office	SUEZ 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 2021.

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 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.

The Company acts as a holding company.

Business review

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

	2021	2020
	£000	£000
Turnover	**42,484**	34,899
Operating profit	**6,405**	4,073
Profit after tax	**2,307**	45
Shareholders funds/ (deficit)	**5**	(4,379)

The Contract with the Authority continues to be run successfully and the CERC has performed well although revenues and the operating result have been adversely impacted by low prices for exported electricity during the year, however latterly these have showed signs of improvement.

During the year, the Company concluded a number of claims, in large part arising from the turbine failure that occurred in 2018. This settlement of these claims has had an overall beneficial impact on the results shown by the financial statements.

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 Group 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. All Household Waste Recycling Centres were initially closed at the end of March 2020 but have been open since May 2020. Payment for operating the sites continued during closure under the governments PPN 02/20 therefore protecting the Company's revenue and cashflows.

Contract Waste tonnages have increased significantly during the lockdowns for Covid-19, which is similar to what has been seen in other local authorities. Volumes of I&C waste received were initially impacted by the crisis but these have now recovered. Notwithstanding this, the risk on Third Party Waste tonnage is deemed low as the O&M provider has known access to alternative waste streams.

Strategic report*(continued)*

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.

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 SUEZ Recycling and Recovery 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.

Strategic report*(continued)*

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 20 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 20 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 on 24 August 2021 by

F Duval – Director

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2021.

Result and Dividends

The profit for the year, after taxation, amounted to £2,307,000 (2020 – £45,000).

Dividend of £1,350,000 were paid in the year ended 31 March 2021 *(2020 - £8,887,000).*

Future Developments

The new Truro Household Waste Recycling Centre (HWRC) site was completed and opened during the year, work continues on the two further planned sites.

Directors

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

F Duval
R Kadiwar
Y Suzuki
A Clapp
P Ashbrook
H Artuc (appointed 5 October 2020)
B Knox (resigned 5 October 2020)
G McKenna-Mayes (deceased 24 June 2021)
M Thompson (appointed 28 June 2021)

No director who held office on 31 March 2021 had an interest in the Group's shares either during the financial year or at 31 March 2021.

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 2021 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. 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 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 2021, the Group had an average of 0 days purchases outstanding in trade creditors *(2020 - 0).*

Directors' report *(continued)*

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. Under that law they have elected to prepare the financial statements in accordance with IFRSs 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; 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 on 24 August 2021

F Duval

F Duval – Director

Independent auditor's report to the member of Cornwall Energy Recovery Holdings Limited

Opinion

We have audited the financial statements of Cornwall Energy Recovery Holdings Ltd for the year ended 31 March 2021 which comprise of the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated 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 International Financial Reporting Standards (IFRSs).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs; 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 Cornwall Energy Recovery Holding Ltd'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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the member of Cornwall Energy Recovery Holdings Limited *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by, 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 group's and 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.

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 identified that the principal risks of non-compliance with laws and

Independent auditor's report to the member of Cornwall Energy Recovery Holdings Limited *(continued)*

regulations related to environmental regulations, health and safety regulations, the UK tax legislation, anti-bribery, corruption and fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were 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 the fair value of cash flow hedges, lifecycle cost provisions, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our 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.

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.

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.

Jonathan Seaman (Senior Statutory Auditor)
for and on behalf of Mazars LPP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
EW1 1DD
25 August 2021

Consolidated Income Statement
for the year ended 31 March 2021

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Revenue	*3*	**42,484**	34,899
Operating expenses	*4*	**(36,079)**	(30,826)
Operating profit		**6,405**	4,073
Financial income	*7*	**8,796**	9,374
Financial expense	*7*	**(12,194)**	(12,756)
Net financing expense		**(3,398)**	(3,382)
Profit on ordinary activities before tax		**3,007**	691
Taxation	*8*	**(700)**	(646)
Profit for the year		**2,307**	45

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2021

		Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Profit for the year		**2,307**	45
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**4,231**	(3,229)
Deferred tax charge on other comprehensive income	*12*	**(804)**	858
Other comprehensive income/(loss) for the year, net of deferred tax		**3,427**	(2,371)
Total comprehensive gain/(loss) for the year		**5,734**	(2,326)

All gain and total comprehensive gain is attributable to continuing operations.

The notes on pages 18 to 36 form part of these financial statements.

Consolidated Balance Sheet
at 31 March 2021

Company registered number: 05710695

	Note	2021 £000	2020 £000
Non-current assets			
Financial assets	*10*	**161,795**	172,797
Other receivables	*13*	**2,032**	2,316
		163,827	175,113
Current assets			
Financial assets	*10*	**11,316**	10,651
Trade and other receivables	*13*	**7,559**	7,106
Cash and cash equivalents	*14*	**27,235**	23,267
		46,110	41,024
Total assets		**209,937**	216,137
Current liabilities			
Trade and other payables	*16*	**(6,064)**	(6,092)
Interest-bearing loans and borrowings	*15*	**(7,780)**	(9,535)
		(13,844)	(15,627)
Non-current liabilities			
Interest-bearing loans and borrowings	*15*	**(171,692)**	(178,014)
Other financial liabilities	*11*	**(18,642)**	(23,286)
Provisions	*17*	**(4,006)**	(3,345)
Net deferred tax liability	*12*	**(1,748)**	(244)
		(196,088)	(204,889)
Total liabilities		**(209,932)**	(220,516)
Net Assets/(liabilities)		**5**	(4,379)
Equity			
Share capital	*19*	**10**	10
Reserves	*18*	**(9,076)**	(12,503)
Retained earnings	*18*	**9,071**	8,114
Total Shareholder fund/(deficit) - equity		**5**	(4,379)

These financial statements were approved and authorised for issue by the board of directors on 24 August 2021 and were signed on its behalf by:

F Duval – Director

Company Balance Sheet
at 31 March 2021

	Note	2021 £000	2020 £000
Non-current assets			
Investments	*9*	**10**	10
Financial assets	*10*	**34,493**	33,028
		34,503	33,038
Current assets			
Trade and other receivables	*13*	**4**	4
Financial assets	*10*	**-**	-
Total assets		**34,507**	33,042
Non-current liabilities			
Interest-bearing loans and borrowings	*15*	**(34,493)**	(33,028)
Total liabilities		**(34,493)**	(33,028)
Net Assets		**14**	14
Equity			
Share capital	*19*	**10**	10
Retained earnings	*18*	**4**	4
Total Shareholder Funds		**14**	14

These financial statements were approved by the board of directors on 24 August 2021 and were signed on its behalf by:

F Duval

F Duval – Director

Company registered number: 0571069

Consolidated Statement of Changes in Equit,y
for the year ended 31 March 2021

	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**
Dividends paid	**-**	**-**	**(1,350)**	**(1,350)**
Other comprehensive income	**-**	**3,427**	**-**	**3,427**
Balance at 31 March 2021	**10**	**(9,076)**	**9,071**	**5**

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2019	10	(10,132)	16,947	6,825
Total comprehensive income for the year				
Profit for the year	-	-	45	45
Dividends paid	-	-	(8,878)	(8,878)
Other comprehensive loss	-	(2,371)	-	(2,371)
Balance at 31 March 2020	10	(12,503)	8,114	(4,379)

Company Statement of Changes in Equity

for the year ended 31 March 2021

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 April 2020	**10**	**4**	**14**
Total comprehensive income for the year			
Profit	-	1,350	**1,350**
Dividends paid	-	(1,350)	**(1,350)**
Balance at 31 March 2021	**10**	**4**	**14**

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 April 2019	10	4	**14**
Total comprehensive income for the year			
Profit	-	8,878	**8,878**
Dividends paid	-	(8,878)	**(8,878)**
Balance at 31 March 2020	**10**	**4**	**14**

Consolidated Cash Flow Statement

for the year ended 31 March 2021

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Cash flows from operating activities		
Profit for the year	**2,307**	45
Adjustments for:		
Financial income	**(8,796)**	(9,374)
Financial expense	**12,194**	12,756
Taxation	**700**	646
Margin on construction	**-**	(2)
Movement on non-financial asset/provisions	**661**	(256)
Amortisation of other non current financial assets	**996**	2,017
	8,062	5,832
Increase in trade and other receivables	**(453)**	(983)
Decrease in trade and other payables	**(30)**	(815)
	(483)	(1,798)
Net cash inflow from operating activities	**7,579**	4,034
Cash flows from investing activities		
Interest received	**-**	107
Increase/(decrease) in financial assets	**(314)**	66
Repayment of concession debtor	**17,358**	17,151
Net cash outflow from investing activities	**17,044**	17,324
Cash flows from financing activities		
Interest paid	**(9,453)**	(12,760)
Loans repaid	**(9,852)**	(13,695)
Dividends paid	**(1,350)**	(8,878)
Net cash (outflow) from financing activities	**(20,655)**	(35,333)
Net increase/(decrease) in cash and cash equivalents	**(3,968)**	(13,975)
Cash and cash equivalents at 1 April	**23,267**	37,242
Cash and cash equivalents at 31 March	**27,235**	23,267
Represented by:		
Cash	**27,235**	23,267

Notes(forming part of the financial statements)

1 Accounting policies

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

The address of the registered office and principal place of business is stated on page 2, and the nature of the Group 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 Group operates in.

The Group 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 1.9 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 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 £1,350,000 (2020 - £8,878,000).

1.4 Going concern

The Group currently has £179,472,000 of total debt (2020 - £187,549,000). 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.

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 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Non-derivative financial instruments (continued)

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.

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:

Notes *(continued)*

1 Accounting policies *(continued)*

***1.9 Service concession financial asset** (continued)*

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.

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 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

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.

1.11 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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

1.13 IFRSs issued but unadopted 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 2021

- IFRS 17 'Insurance Contracts' 1 January 2021.

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

Judgements

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.

- **Taxation** – management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. See note 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 11). 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 £20,000 decrease in liability.
  A 0.5% decrease to the discount rate would result in £20,000 increase in liability.

Notes *(continued)*

3 Revenue - Group

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Construction revenue	**314**	-
Service concession revenue	**29,324**	26,235
Electricity revenue	**12,846**	8,664
Total revenues	**42,484**	34,899

All turnover arose within the United Kingdom.

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 - Group

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

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Service concession costs	**31,001**	25,859
Other expenses	**5,060**	4,949
	36,061	30,808
Auditors' remuneration:		
Audit of these financial statements	**18**	18
Total expenses	**36,079**	30,826

5 Staff numbers and costs - Group

No staff are directly employed by the Group *(2019: 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 - Group

The directors received no emoluments directly from the Group *(2019: £nil)*. During the year ended 31 March 2021, SUEZ Recycling and Recovery UK Limited, Aberdeen Infrastructure Investments (No.5) Limited and I-Environment Investments Limited each charged the Group £10,000 (2020 - £10,000) for director services provided.

Notes *(continued)*

7 Finance income and expense - Group

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Finance income		
Interest income on financial assets	**8,796**	9,269
Bank interest	**-**	105
Total finance income	**8,796**	9,374

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	**(11,231)**	(11,749)
Other interest expense	**(963)**	(1,007)
Total finance expense	**(12,194)**	(12,756)

8 Taxation - Group

Recognised in the income statement

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Current tax charge	**-**	-
Deferred tax charge		
Origination and reversal of temporary differences – current year	**700**	570
Origination and reversal of temporary differences – prior year	**-**	76
Deferred tax charge	**700**	646
Total tax charge	**700**	646

Notes *(continued)*

8 Taxation – Group *(continued)*

Reconciliation of effective tax rate

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Profit for the year	**2,307**	45
Total tax charge	**700**	646
Profit excluding taxation	**3,007**	691
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**571**	131
Expenses not deductible for tax purposes, other than goodwill amortisation and impairments	**129**	132
Adjustments in respect of prior periods	**-**	76
Rate difference on deferred tax balances	**-**	307
Total tax charge	**700**	646

The increase to the UK corporation tax rate from 19% to 25% was substantively enacted on 24 May 2021 and will be effective from 1 April 2023. The change had not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements.

The estimated impact of the rate change is an increase to the net Deferred Tax liability of £1.1m with a debit to the income statement of £1.7m and a credit to other comprehensive income of £0.6m.

9 Investments – Company

	2021 £000	2020 £000
Cost and net book value		
Investment in subsidiary undertaking	**10**	10

Shares in subsidiary undertakings represent a holding of 100% of the ordinary share capital of Cornwall Energy Recovery Limited. All the subsidiary undertakings are incorporated in the UK and the registered office is the same as the parent company.

Notes *(continued)*

10 Financial assets – Group and company

	Group		Company	
	31 March 2021 £000	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
Current				
Service concession financial asset	**9,260**	8,562	-	-
Other financial assets	**2,056**	2,089	-	-
	11,316	10,651	-	-
Non-current				
Service concession financial asset	**133,027**	141,973	-	-
Other non-current financial assets	**28,768**	30,825	-	-
Other financial assets owed by group undertakings	-	-	**34,493**	33,028
	161,795	172,797	**34,493**	33,028

Other non-current financial assets include close out costs relating to an interest rate swap previously held by the Group of £24,248,000 (2020 - £18,096,000), along with £4,520,000 of loan close out costs (2020 - £10,431,000). These are recoverable from Cornwall County Council over the life of the project and will be recovered once the CERC is operational.

11 Other financial liabilities - Group

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Non-current		
Financial liabilities held for trading (including derivatives)	**11,206**	15,436
Other non-current financial liabilities	**7,436**	7,850
	18,642	23,286

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.

12 Deferred tax assets and liabilities - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2021 £000	**Liabilities 2021 £000**	**Net Liabilities 2021 £000**	Assets 2020 £000	Liabilities 2020 £000	Net Liabilities 2020 £000
Financial assets		**(14,142)**	**(14,142)**	-	(13,911)	(13,911)
Tax losses and credits	**9,504**	-	**9,504**	10,099	-	10,099
On fair value of cash flow hedges	**2,129**	-	**2,129**	2,933	-	2,933
Other timing differences	**761**	-	**761**	635	-	635
Net tax (liabilities)	**12,394**	**(14,142)**	**(1,748)**	13,667	(13,911)	(244)

Notes *(continued)*

12 Deferred tax assets and liabilities – Group *(continued)*

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 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)**

Movement in deferred tax during the year ended 31 March 2020

	1 April 2019 £000	Recognised in income £000	Recognised in equity £000	31 March 2020 £000
Financial assets	(11,775)	(2,136)	-	(13,911)
Tax losses and credits	8,632	1,467	-	10,099
On fair value of cash flow hedges	2,075	-	858	2,933
Other timing differences	612	23	-	635
	(456)	(646)	858	(244)

13 Trade and other receivables – Group and company

	2021	2020
Group	**£000**	£000
Current		
Trade debtors	**429**	830
Contract assets	**6,031**	5,321
Other receivables	**1,099**	955
	7,559	7,106

The trade and other receivables above are all current receivables

Non current

	2021 £000	2020 £000
Other receivables	**2,032**	2,316
	2,032	2,316

Notes *(continued)*

13 Trade and other receivables – Group and company *(continued)*

Company	2021 £000	2020 £000
Current		
Due from related parties	**4**	4
	4	4

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 (2020: £NIL) and it has not been necessary to recognise any impairment loss under the expected lifetime loss model.

14 Cash and cash equivalents – Group

	2021 £000	2020 £000
Cash and cash equivalents	**27,235**	23,267
Cash and cash equivalents	**27,235**	23,267

15 Interest-bearing loans and borrowings – Group and company

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 20.

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Current liabilities				
Secured bank loans	**7,780**	9,535	**-**	-
Non-current liabilities				
Secured bank loans	**137,199**	144,986	**34,493**	33,028
Subordinated loan	**34,493**	33,028	**-**	-
	171,692	178,014	**34,493**	33,028

Notes *(continued)*

15 Interest-bearing loans and borrowings – Group and company *(continued)*

Terms and debt repayment schedule

	Currency	Nominal interest rate	Facility	Year of maturity	Face value 2021 £000	Carrying amount 2021 £000	Face value 2020 £000	Carrying amount 2020 £000
Term Loan	GBP	LIBOR + 3%	£101,595,000	2034	**81,774**	**81,774**	86,772	86,772
Change in Law Loan	GBP	LIBOR + 3%	£3,000,000	2034	**-**	**-**	-	-
EIB Loan	GBP	3.977%	£81,422,000	2033	**63,205**	**63,205**	67,748	67,748
Subordinated Loan	GBP	11%		2034	**34,493**	**34,493**	33,028	33,028
					179,472	**179,472**	187,548	187,548

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 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.

16 Trade and other payables - Group

	2021 £000	2020 £000
Current		
Accruals & other creditors	**6,064**	6,092
	6,064	6,092

Included within trade and other payables is £Nil expected to be paid in more than 12 months *(2020 - £Nil)*.

17 Provisions

	Lifecycle maintenance provision £000
As at 1 April 2020	**3,345**
Additions	**661**
As at 31 March 2021	**4,006**

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

Notes *(continued)*

18 Reserves

Hedging Reserve
Hedging reserves relate to the use of Hedge Accounting as detailed in accounting policy 1.7.

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

19 Share capital – Group and Company

	2021	2020
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £1each	**10**	10
Shares classified as liabilities	**-**	-
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.

20 Financial instruments - Group

20 *(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 Group has entered into interest rate swaps to hedge against volatility of movements in interest rates. These have been designated as cash flow hedges.

Notes *(continued)*

20 Financial instruments *(continued)*

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

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 2021 £000	**Fair value 2021 £000**	Carrying amount 2020 £000	Fair value 2020 £000
Financial assets				
Service concession financial asset	**142,287**	**142,287**	150,535	150,535
Other non current financial assets	**30,824**	**30,824**	32,914	32,914
Cash and cash equivalents	**27,235**	**27,235**	23,267	23,267
Trade and other receivables	**9,591**	**9,591**	9,422	9,422
Total financial assets	**209,937**	**209,937**	216,138	216,138
Non-Financial assets	**-**	**-**	-	-
Total assets	**209,937**	**209,937**	216,138	216,138

	Carrying amount 2021 £000	**Fair value 2021 £000**	Carrying amount 2020 £000	Fair value 2020 £000
Financial liabilities				
Other non-current financial liabilities	**7,436**	**7,436**	7,850	7,850
Other interest-bearing loans	**179,472**	**179,472**	187,548	187,548
Trade and other payables	**6,064**	**6,064**	6,092	6,092
Derivative financial instrument liabilities	**11,206**	**11,206**	15,436	15,436
Total financial liabilities	**204,178**	**204,178**	216,926	216,926
Non-financial liabilities	**5,754**	**5,754**	3,589	3,589
Total liabilities	**209,932**	**209,932**	220,515	220,515

Notes *(continued)*

20 Financial instruments (continued)

20 ***(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).

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

2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities classified as cash flow hedges	-	(15,436)	-	(15,436)

20 (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 £209,937,000 (2020: £216,138,000) being the total of the carrying amount of financial assets and trade and other receivables shown in the table shown in 20 (a). This exposure is all in the UK.

20 (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 cash flow 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)*

20 Financial instruments *(continued)*

20 (c) Liquidity risk (continued)

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

	2021						2020					
	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	**144,979**	**144,979**	**7,780**	**8,135**	**32,826**	**96,238**	154,520	154,520	9,535	7,780	29,512	107,693
Subordinated loan	**34,493**	**34,493**	**-**	**-**	**-**	**-**	33,028	33,028	-	-	-	33,028
Trade and other payables	**6,064**	**6,064**	**6,064**	**-**	**-**	**-**	6,092	6,092	6,092	-	-	-
Derivative financial liabilities												
Interest rate swaps used for hedging	**11,206**	**16,857**	**2,138**	**2,029**	**5,288**	**7,402**	15,436	19,122	2,265	2,138	5,708	9,011
	196,742	**202,393**	**15,982**	**10,164**	**38,114**	**138,133**	209,076	212,762	17,892	9,918	35,220	149,732

Notes *(continued)*

20 Financial instruments *(continued)*

20 (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:

	2021						2020					
	Carrying amount	**Expected cash flows**	**1 year or less**	**1 to <2years**	**2 to <5years**	**5years and over**	Carrying amount	Expected cash flows	1 year or less	1 to <2years	2 to <5years	5years and over
Interest rate swaps:												
Liabilities	**11,206**	**16,857**	**2,138**	**2,029**	**5,288**	**7,402**	15,436	19,122	2,265	2,138	5,708	9,011
	11,206	**16,857**	**2,138**	**2,029**	**5,288**	**7,402**	15,436	19,122	2,265	2,138	5,708	9,011

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**	
	2021	*2020*	**2021**	*2020*	**2021**	*2020*
	%	*%*	**£000**	*£000*	**£000**	*£000*
Interest rate swaps	**2.897**	*2.897*	**84,359**	*89,121*	**(11,206)**	*(15,436)*

Notes *(continued)*

20 Financial instruments *(continued)*

20(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

	2021	2020
	£000	£000
Fixed rate instruments		
Financial assets	**142,287**	150,535
Financial liabilities	**(97,698)**	(100,776)
	44,589	49,759
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**(81,774)**	(86,772)
	(81,774)	(86,772)

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.

20 (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)*

21 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 2021 amount to £1.3m *(2020: £1.6m)*.

22 Related parties

During the year, the following transactions took place:

Group:

Party and relationship	**Transactions**	**Outstanding at 31 March**	Transactions	Outstanding at 31 March
	2021	**2021**	2020	2020
	£000	**£000**	£000	£000
SUEZ Recycling and Recovery UK Limited (33.3% shareholder in Cornwall Energy Recovery Holdings Limited)				
- Management legal and financing charges received	**334**	**17**	83	-
- Operational and maintenance charges received	**22,483**	**4,061**	18,498	3,699
- Other recharges received	**232**	**35**	264	34
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 formerly Aberdeen Infrastructure Investments (No.5) Limited (33.3% shareholder in Cornwall Energy Recovery Holdings Limited)				
- Other recharges	**10**	**20**	10	10

Transactions with key management personnel

There has been £79,000 paid to Ambialet Limited a company providing consultancy services as commercial advisors to the group *(2020: £81,000)*. At 31 March 2021, the company owed Ambialet Limited £5,000 (2020: £5,000).

Notes *(continued)*

22 Related parties *(continued)*

Company:

The Company was charged interest on loans from the Company's shareholders as follows:

	Interest	**Outstanding at 31 March**	Interest	Outstanding at 31 March
	2021	**2021**	2020	2020
	£000	**£000**	£000	£000
SUEZ Recycling & Recovery UK Limited	**1,205**	**11,498**	1,231	11,009
I-Environment Investments Limited	**1,205**	**11,498**	1,231	11,009
PIP Infrastructure Investments	**1,205**	**11,498**	1,231	11,009

The company received interest on its loan receivable from Cornwall Energy Recovery Limited, a 100% owned subsidiary entity, of £3,615,000 *(2020 - £3,692,000)* during the year ended 31 March 2021. The balance receivable from Cornwall Energy Recovery Limited at 31 March 2021 was £34,493,000 *(2020 - £33,028,000)*.

Transactions with key management personnel

There has been no compensation of key management personnel *(2020: £nil)*.

23 Ultimate parent Group and parent Group of larger group

Cornwall Energy Recovery Holdings Limited is owned and controlled by SUEZ Recycling and Recovery UK Limited (33.3%), PIP Infrastructure Investments (No 5) Limited (Formerly 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.

PIP 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. SUEZ Recycling and Recovery UK Limited has no such powers to amend or block changes to the policies and procedures of the company. The directors therefore regard PIP Infrastructure Investments (No 5) Limited and I-Environment Investments Limited to be in joint control of the entity.

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