West London Energy Recovery Limited

Annual report and financial statements

Registered number 08588138

Year ended 31 March 2021

Company Information

Directors	H Artuc R Kadiwar F Duval Y Suzuki P Ashbrook A Clapp M Thompson
Company secretary	SUEZ Recycling and Recovery UK Limited
Company number	08588138 - incorporated in England & Wales
Registered office	SUEZ House Grenfell Road Maidenhead Berkshire SL6 1ES
Auditor	Mazars LLP 90 Victoria Street Bristol BS1 6DP

Contents

Strategic report

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

Principal activities

The company has signed a PFI contract with the West London Waste Authority to cover the provision of a waste treatment infrastructure. In this contract the Authority acts for a consortium of six West London Boroughs.

The principal activities of the Company are to construct and operate the waste treatment infrastructure on behalf of the Authority. This infrastructure comprises an Energy Recovery Centre in Severnside (SERC), South Gloucestershire, together with two refurbished transfer stations in West London.

Business review

The Contract with the Authority is being run successfully and the SERC is performing 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.

The results for the Company for the year are set out in the Income Statement and Statement of Comprehensive Income on page 11 and the Company's position at the end of the financial year is stated on the Balance Sheet on page 12.

Key performance indicators

As the project is within its operational phase, tonnage of waste accepted and processed and levels of electricity generation compared to annual forecasts are key performance indicators. These are reported monthly to the Board and have been above expectations. Levels of performance deductions arising from failures to achieve specified levels of contract service are also closely monitored. These have been relatively small in the year and are contractually passed on to the O&M contractor with no impact on company cash flows.

Business Development

The majority of the capacity at the SERC is utilised to process Authority waste. However the O&M contractor has signed a number of third party waste contracts, some of which are long term, to optimise the processing capability of the plant.

Covid-19

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

The Company continues to provide normal services under the PFI contract with the West London Waste Authority. All sites have remained opened and operating during the pandemic.

Sites have remained open and volumes of waste have maintained at a comfortable level. Although there appears to have been an impact on energy prices they were already below floor price, and the electricity price risk is mitigated by a floor price in the Power Purchase Agreement protecting the Company. Credit risk is deemed low with public sector client. Loan interest is fully hedged so no interest rate risk.

Principal risks and uncertainties

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

Operational risks

The Company's primary operations involve a major public sector contract of 28 years, where default on the contract may result in substantial compensation payments to the client.

Strategic report *(continued)*

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

Competitive risks

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

Legislative risks

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

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

Health & safety risks

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

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

Financial instrument risks

The Company was set up as part of a Project Finance structure to manage the provision of waste services for West London Waste Authority over a 28 year period. Financial instruments were used to minimise the long term financial risks associated with such a major project.

Interest rate risk - The Company's principal financial instruments comprise a term loan and an equity bridge loan. These loans are exposed to interest rate risk. The Company has entered into fixed rate swap agreements to avoid volatility in interest charges on its floating rate loans. The Company has applied hedge accounting requirements to account for the derivative swap agreements and the associated loans; their relationships being accounted for as cash flow hedges – see note 20 to the accounts.

The Company'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 Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities.

This report was approved by the board and signed on its behalf on 13th August 2021 by

F Duval – Director

Directors' report

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

Results and Dividends

The loss for the year, after taxation, amounted to £2,226,000 *(2020 -- £3,757,000)*

No interim dividend was paid in the year ended 31 March 2021. *(2020-£3,000,000)*

Future Developments

All facilities have been completed and the Company will continue full services under the contract with the Authority in the year.

Directors

The directors who held office during the year and up to the approval date the financial statements were as follows:

B Knox (resigned 5 October 2020)
R Kadiwar
F Duval
Y Suzuki
P Ashbrook
A Clapp
H Artuc (appointed 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 Company's shares either during the financial year or at 31 March 2021.

Directors' indemnity

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

Going Concern

The directors have reviewed the Company's financial position at 31 March 2021 and believe that the Company has adequate financial resources to meet its obligations for the foreseeable future. Long-term loans are in place to finance the construction of the Energy from Waste facility and cash flow is sufficient to meet the Company's operational cash commitments. Accordingly, they have prepared the accounts on a going concern basis.

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. 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.

Directors' report *(continued)*

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and applicable law."

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS in conformity with the requirements of the Companies Act 2006 have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

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

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

Auditor

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

By order of the board on 13th August 2021

F Duval

F Duval – Director

Independent auditor's report to the member of West London Energy Recovery Limited

Opinion
We have audited the financial statements of West London Energy Recovery ltd (the 'company') for the year ended 31 March 2021 which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its result for the year then ended; and
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [entity]'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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 West London Energy Recovery 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 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.

Responsibilities of Directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 regulations related to the UK tax legislation, environmental regulation, health and safety regulation, 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.

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

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.

J Barnard

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

Aug 19, 2021

Income Statement
for the year ended 31 March 2021

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Revenue	*3*	**36,765**	34,770
Operating expenses	*4*	**(31,958)**	(31,405)
Operating profit		**4,807**	3,365
Financial income	*7*	**8,557**	8,905
Financial expense	*7*	**(15,985)**	(16,504)
Net financing expense		**(7,428)**	(7,599)
Loss on ordinary activities before tax		**(2,621)**	(4,234)
Taxation	*8*	**395**	477
Loss for the year		**(2,226)**	(3,757)

Statement of Comprehensive Income
for the year ended 31 March 2021

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Loss for the year	**(2,226)**	(3,757)
Other comprehensive gain/ (loss)		
Effective portion of changes in fair value of cash flow hedges	**10,548**	(8,254)
Deferred tax charge on other comprehensive loss	**(2,004)**	2,242
Other comprehensive gain/ (loss) for the year, net of deferred tax	**8,544**	(6,012)
Total comprehensive gain/ (loss) for the year	**6,318**	(9,769)

All loss and total comprehensive gain/ (loss) is attributable to continuing operations.

The notes on pages 15 to 33 form part of these financial statements.

Balance Sheet
at 31 March 2021

	Note	2021 £000	2020 £000
Non-current assets			
Intangible assets	*9*	**71,321**	74,603
Financial assets	*10*	**111,677**	115,680
Other receivables	*13*	**4,011**	4,010
Net deferred tax asset	*12*	**4,873**	6,482
		191,882	200,775
Current assets			
Financial assets	*10*	**4,003**	3,875
Trade and other receivables	*13*	**10,249**	9,608
Cash and cash equivalents	*14*	**20,087**	16,354
		34,339	29,837
Total assets		**226,221**	230,612
Current liabilities			
Trade and other payables	*16*	**(5,011)**	(2,935)
Interest-bearing loans and borrowings	*15*	**(4,805)**	(4,945)
		(9,816)	(7,880)
Non-current liabilities			
Interest-bearing loans and borrowings	*15*	**(198,212)**	(204,384)
Other financial liabilities	*11*	**(31,372)**	(41,919)
Provisions	*17*	**(17,743)**	(13,669)
		(247,327)	(259,972)
Total liabilities		**(257,143)**	(267,852)
Net Liabilities		**(30,922)**	(37,240)
Equity			
Share capital	*19*	**10**	10
Hedging reserves	*18*	**(25,410)**	(33,954)
Retained earnings	*18*	**(5,522)**	(3,296)
Total Shareholders' deficit		**(30,922)**	(37,240)

These financial statements were approved and authorised for issue by the board of directors on 13th August 2021 and were signed on its behalf by:

F Duval – Director

Company registered number: 08588138

Statement of Changes in Equity
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**	**(33,954)**	**(3,296)**	**(37,240)**	
Total comprehensive income for the year					
Loss for the year	-	-	**(2,226)**	**(2,226)**	
Other comprehensive gain	-	**8,544**	-	**8,544**	
Balance at 31 March 2021	**100**	**(25,410)**	**[illegible]**	**(33,922)**	**(8,522)**

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2019	10	(27,942)	3,461	(24,471)
Total comprehensive income for the year				
Loss for the year	-	-	(3,757)	(3,757)
Other comprehensive loss	-	(6,012)	-	(6,012)
Dividend paid	-	-	(3,000)	(3,000)
Balance at 31 March 2020	10	(33,954)	(3,296)	(37,240)

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		
Loss for the year	**(2,226)**	(3,757)
Adjustments for:		
Financial income	**(8,557)**	(8,905)
Financial expense	**15,985**	16,504
Taxation	**(395)**	(477)
Amortisation of intangible asset	**3,282**	3,282
Movement on provision	**4,074**	5,069
Margin on construction	**-**	(15)
	12,163	11,701
Increase in trade and other receivables	**(1,017)**	(1,616)
Increase in trade and other payables	**2,076**	223
	1,059	(1,392)
Net cash inflow from operating activities	**13,222**	10,308
Cash flows from investing activities		
Interest received	**-**	85
Investment in intangible assets	**-**	(58)
Repayment of concession debtor	**12,176**	12,275
Investment in financial assets	**-**	(128)
Net cash inflow from investing activities	**12,176**	12,174
Cash flows from financing activities		
Dividends Paid	**-**	(3,000)
Repayment of loans	**(8,546)**	(7,005)
Interest and commitment fees paid	**(13,119)**	(16,325)
Net cash outflow from financing activities	**(21,665)**	(26,330)
Net increase/ (decrease) in cash and cash equivalents	**3,733**	(3,848)
Cash and cash equivalents at 1 April 2020	**16,354**	20,202
Cash and cash equivalents at 31 March 2021	**20,087**	16,354
Represented by:		
Cash	**20,087**	16,354

Notes (forming part of the financial statements)

1 Accounting policies

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

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

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes 1.9 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 Going concern

The Company currently has £203,017,000 of total debt. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it will be able to operate within the level of its current facilities. Long term loans are in place to finance the construction of the Energy from Waste facility and cash flow is sufficient to meet the Company's operational cash commitments.

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

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

1.4 Classification of financial instruments issued by the Company

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

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

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

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

1.5 Intangible assets

Concession agreements

Intangible assets relate to amounts paid or payable as consideration for rights relating to concession arrangements or public service contracts. Such assets are assessed as having a finite useful economic life of 25 years amortised on a straight line basis from the date the related facilities are operational, to reflect the expected pattern of consumption of the expected future economic benefits embodied in the asset. Amortisation is recognised within cost of sales on the comprehensive statement of income.

Notes *(continued)*

1 Accounting policies *(continued)*

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. 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 Company has determined the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts. Results of all service concessions which fall within the scope of 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 Company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the grantor for the construction or upgrade services provided.

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

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

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

The Company has entered into a contract to provide waste management services on behalf of West London Waste Authority. The Company is contractually obliged to design, build and operate waste facilities, including an Energy from Waste plant on behalf of the Authority, and has the right to use these facilities to provide waste management services. The grantor (West London Waste Authority) has agreed to provide a minimum guaranteed tonnage of waste to the facility and will pay a fixed price per tonne for this level of waste, with any further tonnage being subject to a different rate. The Company in return, will remove and treat the waste and is obliged to maintain the facilities under lifecycle clauses within the contract. The Company has the right to both accept and process third party waste, and to generate electricity revenues at the waste facilities.

There are provisions in the contract for termination (and related compensation) in the event of default or voluntary termination by the operator or grantor. There is provision for a 5 year extension of the contract period. The contract specifies that the waste management facilities are to be returned to West London Waste Authority at the end of the contract in an appropriate condition.

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 exported 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Taxation (continued)

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 Provisions

Provision has been made for the costs of maintaining and replacing assets as required under the terms of contracts in place with the Council. The Group expects for these costs to be incurred over the contract life. The expected costs are discounted at 1.36% (*2020 – 0.90%*). The discounting cost is included in finance expense.

1.14 IFRSs adopted in these financial statements

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Company's financial statements:

- IFRS 17 'Insurance Contracts' 1 January 2021.

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

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.

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.

- **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.

- **Service concession arrangements** – Consideration from contract with public sector entities for waste management service concessions is treated as either 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 1.9.

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.

- **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 £42,000 decrease in liability.
  A 0.5% decrease to the discount rate would result in £42,000 increase in liability.

Notes *(continued)*

3 Revenue

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Construction revenue	-	201
Service concession revenue	25,691	23,825
Electricity revenue	11,074	10,744
Total Revenue	36,765	34,770

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

4 Expenses and auditors' remuneration

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

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Construction costs	-	186
Service concession costs	27,016	27,602
Other expenses	4,924	3,599
	31,940	31,387
Auditors' remuneration:		
Audit of these financial statements	18	18
Total expenses	31,958	31,405

5 Staff numbers and costs

No staff are directly employed by the Company. Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges.

6 Directors' remuneration

The directors received no emoluments directly from the Company.

Notes *(continued)*

7 Finance income and expense

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Finance income		
Interest income on financial assets	**8,557**	8,821
Bank interest	**-**	84
Total finance income	**8,557**	8,905
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	**(15,985)**	(16,504)
	(15,985)	(16,504)

8 Taxation

Recognised in the income statement

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Current tax	**-**	-
Deferred tax credit		
Origination and reversal of temporary differences – current year	**(393)**	(464)
Origination and reversal of temporary differences – prior year	**(2)**	(13)
Deferred tax credit	**(395)**	(477)
Total tax credit	**(395)**	(477)

Reconciliation of effective tax rate

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Loss for the year	**(2,226)**	(3,757)
Total tax credit	**(395)**	(477)
Loss excluding taxation	**(2,621)**	(4,234)
Tax using the UK corporation tax rate of 19% (2020: 19%)	**(498)**	(804)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairments	**105**	111
Adjustments in respect of prior year	**(2)**	(13)
Rate difference on deferred tax balances	**-**	229
Total tax credit	**(395)**	(477)

Notes *(continued)*

8 Taxation (continued)

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 assets of £0.2m with a debit to the income statement of £1.5m and a credit to other comprehensive income of £1.7m.

9 Intangible assets

	Rights re concession contracts £000
Cost	
At 1 April 2020	**85,482**
Additions	**-**
At 31 March 2021	**85,482**
Amortisation	
At 1st April 2020	**10,879**
Charge for the Year	**3,282**
At 31 March 2021	**14,161**
Net Book Value at 31 March 2021	**71,321**
Net Book Value at 1 April 2020	74,603

Notes *(continued)*

9 Intangible assets (continued)

Infrastructure rights granted to the Company as the concession operator falling within the scope of IFRIC12 and corresponding to the intangible model are recognised above. The intangible asset reflects the right for the company, as concession operator, to charge third parties for waste processed at the Energy from Waste facility.

During the year £nil (2020 - £nil) of interest was capitalised within intangible assets above. The total capitalised interest included within intangible assets at 31 March 2021 was £8,219,000 (2020 - £8,219,000).

10 Financial assets

	31 March 2021 £000	31 March 2020 £000
Non-current		
Service concession financial asset	**109,168**	112,923
Other non-current financial assets	**2,509**	2,757
	111,677	115,680
Current		
Service concession financial asset	**3,755**	3,618
Other financial assets	**248**	257
	4,003	3,875

11 Other financial liabilities

	31 March 2021 £000	31 March 2020 £000
Non-current		
Financial liabilities held for trading (including derivatives)	**31,372**	41,919
	31,372	41,919

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2021 £000	**Liabilities 2021 £000**	**Net assets 2021 £000**	Assets 2020 £000	Liabilities 2020 £000	Net assets 2020 £000
Financial asset timing difference	**-**	**(22,550)**	**(22,550)**	-	(21,854)	(21,854)
On fair value of cash flow hedges	**5,961**	**-**	**5,961**	7,965	-	7,965
Other timing difference	**21,462**	**-**	**21,462**	20,371	-	20,371
Tax assets/ (liabilities)	**27,423**	**(22,550)**	**4,873**	28,336	(21,854)	6,482

Notes *(continued)*

12 Deferred tax assets and liabilities (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 ended 31 March 2021

	31 March 2020 £000	Recognised in income £000	Recognised in equity £000	31 March 2021 £000
Financial asset timing difference	**(21,854)**	**(696)**	**-**	**(22,550)**
On fair value of cash flow hedges	**7,965**	**-**	**(2,004)**	**5,961**
Other timing difference	**20,371**	**1,091**	**-**	**21,462**
	6,482	**395**	**(2,004)**	**4,873**

Movement in deferred tax during the prior period

	31 March 2019 £000	Recognised in income £000	Recognised in equity £000	31 March 2020 £000
Financial asset timing difference	(18,585)	(3,269)	-	(21,854)
On fair value of cash flow hedges	5,723	-	2,242	7,965
Other timing difference	16,625	3,746	-	20,371
	3,763	477	2,242	6,482

13 Trade and other receivables

Current	**2021 £000**	2020 £000
Trade debtors	**1,717**	980
Contract asset	**7,621**	7,439
Other receivables	**911**	1,189
	10,249	9,608

The trade and other receivables above are all current receivables.

Non-Current	**2021 £000**	2020 £000
Other receivables	**4,011**	4,010
	4,011	4,010

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.

Notes *(continued)*

14 Cash and cash equivalents

	2021 £000	2020 £000
Cash and cash equivalents	**20,087**	16,354
Cash and cash equivalents	**20,087**	16,354

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 20.

	2021 £000	2020 £000
Current liabilities		
Bank and other loans	**4,805**	4,945
Non-current liabilities		
Bank and other loans	**198,212**	204,384

Terms and debt repayment schedule

	Curr -ency	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 + 3.1%	£152,992,998	2039	**132,109**	**132,109**	137,297	137,297
Change in law loan	GBP	LIBOR + 3.1%	£7,065,074	2039	**-**	-	-	-
Subordinated loan	GBP	8.75%	£67,485,000	2039	**70,908**	**70,908**	72,032	72,032
					203,017	**203,017**	209,329	209,329

The Company has entered into swap to hedge its exposure to LIBOR fluctuations. The fixed interest rate inherent in the swap contracts is 3.542%. The Term loan and Change in Law loan are due to be repaid in full by 31 July 2039.

Subordinated Debts are held through West London Energy Recovery Holdings Limited.

16 Trade and other payables

	2021 £000	2020 £000
Current		
Accruals & other creditors	**5,011**	2,935

Included within trade and other payables is £nil expected to be paid in more than 12 months.

Notes *(continued)*

17 Provisions

	2021 £000	2020 £000
Non-current		
Provision for lifecycle maintenance	**17,743**	13,669

Provision has been made for the costs of maintaining and replacing assets as required under the terms of the contract with West London Waste Authority. The directors expect that this provision will be utilised over the next 25 years.

	2021 £000
Brought forward at 1 April 2020	**13,669**
Increase in provision	**7,360**
Spend	**(3,286)**
Carried forward at 31 March 2021	**17,743**

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

	2021 £000	2020 £000
Allotted, called up and fully paid		
Ordinary shares of £1each	**10**	10
Shares classified in shareholders' funds	**10**	10
	10	10

The authorised share capital of the Company is 9,999 £1 ordinary shares. These shares carry voting rights but no rights to fixed income from the Company.

Notes *(continued)*

20 Financial instruments

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

The fair value of the interest rate swap is based on a mark-to-market valuation. This quote is tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement 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.

Notes *(continued)*

20 Financial instruments *(continued)*

20 *(a) Fair values of financial instruments*

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	**112,923**	**112,923**	116,541	116,541
Other financial assets	**2,757**	**2,757**	3,014	3,014
Cash and cash equivalents	**20,087**	**20,087**	16,354	16,354
Trade and other receivables	**14,260**	**14,260**	13,618	13,618
Total financial assets	**150,027**	**150,027**	149,527	149,527
Non-financial assets	**76,194**	**75,862**	81,084	81,084
Total Assets	**226,221**	**225,889**	230,611	230,611

	Carrying amount 2021 £000	**Fair value 2021 £000**	Carrying amount 2020 £000	Fair value 2020 £000
Financial liabilities				
Other interest-bearing loans	**203,017**	**203,017**	209,328	209,328
Trade and other payables	**5,011**	**5,011**	2,935	2,935
Derivative financial instrument liabilities	**31,372**	**31,372**	41,919	41,919
Total financial liabilities	**239,400**	**239,398**	254,182	254,182
Non-financial liabilities	**17,743**	**15,997**	13,669	13,669
Total Liabilities	**257,143**	**255,395**	267,851	267,851

Notes *(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 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial liabilities classified as cash flow hedges	**-**	**31,372**	**-**	**31,372**
2020	£000	£000	£000	£000
Financial liabilities classified as cash flow hedges	-	41,919	-	41,919

20 (b) Credit risk

Financial risk management

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore the maximum exposure to credit risk at the balance sheet date was £150,027,000 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 Company will not be able to meet its financial obligations as they fall due.

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

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

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

Notes *(continued)*

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	**Contract-ual cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**	Carrying amount £000	Contract-ual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities												
Bank and other loans	**132,109**	**132,109**	**4,805**	**4,889**	**15,631**	**106,785**	137,297	137,297	4,945	4,990	15,101	112,261
Subordinated loan	**70,908**	**70,908**	**-**	**-**	**-**	**70,908**	72,032	72,032	-	-	-	72,032
Trade and other payables	**5,011**	**5,011**	**5,011**	**-**	**-**	**-**	2,935	2,935	2,935	-	-	-
Derivative financial liabilities												
Interest rate swaps used for hedging	**31,372**	**43,389**	**3,978**	**3,831**	**10,563**	**25,017**	41,919	47,522	4,133	3,978	13,000	26,411
	239,400	**239,400**	**13,794**	**8,720**	**26,194**	**202,710**	254,183	259,786	12,013	8,968	28,101	210,704

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	31,372	43,389	3,978	3,831	10,563	25,017	41,919	47,522	4,133	3,978	13,000	26,411
	31,372	43,389	3,978	3,831	10,563	25,017	41,919	47,522	4,133	3,978	13,000	26,411

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	5.542	*5.542*	132,109	*139,527*	(31,372)	*(41,919)*

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 Company's income or the value of its holdings of financial instruments. The Company manages interest rate risk by having swapped its variable rate debt into a fixed rate agreement at the start of the project and manages foreign exchange risk by entering into certain foreign exchange forward contracts.

Interest rate risk

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

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

Market risk – Interest rate risk

Profile

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

	2021 £000	2020 £000
Fixed rate instruments		
Financial assets	**112,923**	116,541
Financial liabilities	**(70,908)**	(72,032)
	42,015	44,509
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**(132,109)**	(137,296)
	(132,109)	(137,296)

Sensitivity analysis

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

20 (f) Capital management

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

Notes *(continued)*

21 Commitments

Capital commitments

The Company has entered into contracts to purchase plant and equipment and construction services under the contract with West London Waste Authority. The commitments outstanding at 31 March 2021 £Nil (2020 - £Nil).

22 Related parties

During the year to 31 March 2021, the following transactions took place:

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 & group companies (33.3% Shareholder in West London Energy Recovery Holdings Ltd)				
- Operational and maintenance charges received	16,328	2,527	15,816	2,111
- Other recharges received	216	18	211	18
- TPW revenue	(8,803)	66	(8,950)	1,348
Itochu Corporation (parent company of I-Environment Investments Limited; 33.3% Shareholder in West London Energy Recovery Ltd)				
- Other recharges received	10	3	10	3
PIP Infrastructure Investments (No 5) Limited (Formerly Aberdeen Infrastructure Investments (No.5) Limited) (33.3% shareholder in West London Energy Recovery Ltd)				
- Other recharges received	10	23	10	13
West London Energy Recovery Holdings Ltd (formerly SITA West London Holdings Limited) (parent company of West London Energy Recovery Ltd)				
- Loan interest incurred	6,375	70,908	6,408	72,032
Ambialet Limited (a company 100% owned by Ian Anthony Sexton, former director during the year)				
- Management charges received	71	-	71	-

Transactions with key management personnel

There has been no compensation of key management personnel.

Notes *(continued)*

23 Ultimate parent company and parent company of larger group

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

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

At 31 March 2021, 33.3% of West London Energy Recovery Holdings Limited's share capital was owned and controlled by SUEZ Recycling and Recovery UK Limited, 33.3% by PIP Infrastructure Investments (No 5) Limited (Formerly Aberdeen Infrastructure Investments (No.5) Limited) and 33.3% by I-Environment Investments Limited.

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