Registered number: 03684054

VEOLIA ENERGY CLEANPOWER ONE UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

VEOLIA ENERGY CLEANPOWER ONE UK LIMITED

COMPANY INFORMATION

Directors	John Patrick Abraham Valérie Isabelle Marie Clavié Celia Rosalind Gough Tracy Jayne Knipe
Company secretary	Celia Rosalind Gough
Registered number	03684054
Registered office	210 Pentonville Road London N1 9JY
Independent auditor	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

VEOLIA ENERGY CLEANPOWER ONE UK LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

Introduction

The principal activity of Veolia Energy Cleanpower One UK Limited ("the Company") was the provision of energy services from Combined Heat and Power plants ("CHP"). Although the Company's main contract ended during 2021, it is continuing to trade as it disposes of its assets and fulfils its remaining contractual obligations.

The Company is registered and domiciled in the United Kingdom.

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

Business review

As the Company's main contract ended during 2021, it has ceased to trade during 2022 and will continue as it fulfils its remaining obligations. It is the intention to wind up the Company in the foreseeable future once these obligations have been fulfilled.

The decrease in revenue in the year was a direct result of the contract ending in April 2021. Despite the decrease in revenue, there is an increase in operating profit following the release of accruals no longer required and successful settlement of insurance claims.

The Company's performance is measured in relation to the total contribution to the Group, therefore the key financial performance indicators of the Company are defined by the Group. The key financial performance indicators as they would appear in the management review are as follows:

	2022	*2021*
	£000	*£000*
Revenue	**88**	*1,208*
Adjusted EBITDA	**229**	*(231)*
Adjusted 'current' EBIT	**229**	*(292)*

The definitions below are standard for the Group and do not necessarily imply that the Company has incurred such costs in the year:

- Adjusted EBITDA excludes charges arising from the creation of, or increase in, provisions and credits arising from the reduction in, or release of, provisions, restructuring costs and foreign exchange differences, and where appropriate, is adjusted for movements in financial assets in respect of the unwinding of the discount on the fair value and repayment of the asset in the year;
- Adjusted 'current' EBIT excludes restructuring costs, foreign exchange differences with no adjustments being made in respect of repayments on financial assets.

The Group uses these adjusted definitions for its own internal purposes as it is felt they better represent the ongoing business performance to management by focusing on cash generating factors within management's control. Refer to note 5 for a reconciliation of these key performance indicators to operating profit.

Results and dividends

The profit for the year, after taxation, amounted to £184k *(2021: loss £228k)*.

There were no dividends paid in the year under review *(2021: £nil)*.

Directors

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

John Patrick Abraham
Valérie Isabelle Marie Clavié
Celia Rosalind Gough
Tracy Jayne Knipe

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

Directors' indemnity

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

Going concern

The Company's main contract ended during 2021 and whilst it is continuing to trade as it disposes of its assets and fulfils its remaining contractual obligations, the Directors have prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments arose from ceasing to adopt the going concern basis of preparation. No provision has been made for the future costs of winding up the business.

However, the Company continues to participate in Group centralised treasury arrangements and so shares banking and intercompany loan arrangements with VUK and other UK based Group fellow subsidiaries. The Directors have therefore received written confirmation from VUK that they will, if required, provide financial support to the Company for the coming year. The Directors have made enquiries and have gained assurance that VUK is in a position to provide this support if needed.

Future developments

The Company's main contract ended during 2021 and whilst it is continuing to trade as it disposes of its assets and fulfils its remaining contractual obligations, the Directors have prepared the financial statements on the basis that the company is no longer a going concern.

Principal risks and uncertainties

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

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

Financial risks

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

- ***Credit risk***
  The Company is exposed to counterparty risk in various areas of the operating and treasury activities.

  The Company participates in Group centralised treasury arrangements, with the UK&I group being in a net deposit position, and so shares banking and intercompany loan arrangements with the Group, VUK and other UK members of the Group, which are also provided with support from VUK. As set out in the going concern section, the Company has assessed the credit risk of the Group and VUK and considers that they are well placed to provide support and facilitate the repayment of any debts as they fall due.

  The Company had a long-term contract with one well-established customer. Given the contract ended in April 2021 and any remaining balances are not significant there is no risk of a major financial loss occurring.

  The UK&I group has a specific credit management team as well as procedures in place to monitor and recover customer and intercompany debt. The carrying amount of trade and other debtors, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

- ***Interest risk***
  The Company lends funds via VUK, at floating rates of interest, priced according to a GBP index based on Sterling Overnight Interbank Average Rates ("SONIA"). Changes in the Bank of England base rate may therefore impact interest charges and income.

- ***Liquidity risk***
  The Company, along with other entities within the UK&I group, is party to cash pooling arrangements with VUK, whereby each member deposits cash excesses and may borrow money in the form of short-term advances. Amounts are swept on a daily basis and held on overnight deposit with the Group. At the year end VUK was in a net surplus position. VUK has an additional overdraft facility with the Group which remains unutilised. Cash forecasts are regularly prepared and submitted to the Group for review to ensure that the liquidity profile of the UK&I group is actively monitored. The Group has confirmed that the UK&I group will continue to have access to these balances as required for their activities. As outlined under Going Concern, the Directors of the Company have concluded that, if required, the Group would be able to provide financial support to VUK, which in turn would be able to provide financial support to the Company for the periods stipulated.

- ***Foreign exchange risk***
  The Company has limited exposure to foreign currency risk in its normal activities as it operates in the UK and most of its transactions are denominated in pound sterling. At each reporting date, where necessary, all financial assets and financial liabilities are revalued and denominated in pound sterling.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor

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

Small companies note

The Company has taken advantage of the small companies exemption provided under Companies Act 2006, section 414B not to prepare a Strategic report and section 415A allowing reduced disclosures in the preparation of the Directors' report.

This report was approved by the board on 11 August 2023 and signed on its behalf.

Valerie Clavie

Valerie Clavie (Aug 11, 2023 15:17 GMT+1)

Valérie Isabelle Marie Clavié
Director

Aug 11, 2023

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEOLIA ENERGY CLEANPOWER ONE UK LIMITED

Opinion

We have audited the financial statements of Veolia Energy Cleanpower One UK Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter- financial statements prepared on a basis other than going concern

We draw attention to note 2.4 to the financial statements which explains the Company's only contract ended in April 2021, and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 2.4. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEOLIA ENERGY CLEANPOWER ONE UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, environmental and General Data Protection Regulation ("GDPR");
- We understood how Veolia Energy Cleanpower One UK Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We read the minutes of the UK&I Executive Committee, made inquiries of Legal and Internal Control departments to identify if there are matters where there is a risk of breach of such frameworks that could have a material adverse impact on the Company. We understood controls put in place by management to reduce the opportunities for fraudulent transactions;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by internal team conversations, inquiry of management and review of the fraud assessment prepared by the UK&I group management. We understood that revenue, adjusted EBITDA and adjusted 'current' EBIT are the key performance measures for management and we considered that these could be most likely manipulated through the posting of manual journals to revenue. We reviewed manual journals to revenue and considered the nature of these transactions. For those that we did not consider to be in the normal course of business and were not of a trivial value we obtained evidence to support the validity of such adjustments;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures were as set out above. The results of our procedures did not identify any instances of irregularities, including fraud.

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 our 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.

DocuSigned by:
Ernst & Young LLP
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Eddie Diamond (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP (Statutory Auditor)
Leeds

Date: 11 August 2023

VEOLIA ENERGY CLEANPOWER ONE UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	*2021* *£000*
Revenue	4	**88**	*1,208*
Cost of sales		**141**	*(1,500)*
Gross profit/(loss)		**229**	*(292)*
Other operating (charges)/income		**(1)**	*5*
Operating profit/(loss)	5	**228**	*(287)*
Interest receivable and similar income	8	**4**	*1*
Profit/(loss) before tax		**232**	*(286)*
Tax on profit/(loss)	9	**(48)**	*58*
Profit/(loss) for the financial year		**184**	*(228)*
Other comprehensive income		**-**	*-*
Total comprehensive income/(loss) for the year		**184**	*(228)*

VEOLIA ENERGY CLEANPOWER ONE UK LIMITED
REGISTERED NUMBER:03684054

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £000		2021 £000
Current assets					
Debtors: amounts falling due after more than one year	11	-		*13*	
Debtors: amounts falling due within one year	11	250		*707*	
		250		*720*	
Creditors: amounts falling due within one year	12	(80)		*(734)*	
Net current assets/(liabilities)			170		*(14)*
Total assets less current liabilities			170		*(14)*
Net assets/(liabilities)			170		*(14)*
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account			170		*(14)*
			170		*(14)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 August 2023.

Valerie Clavie
Valerie Clavie (Aug 11, 2023 15:17 GMT+1)

Valérie Isabelle Marie Clavié
Director

Aug 11, 2023

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2021	-	214	214
Comprehensive loss for the year			
Loss for the year	-	(228)	(228)
At 1 January 2022	-	(14)	(14)
Comprehensive income for the year			
Profit for the year	-	184	184
At 31 December 2022	-	170	170

The notes on pages 12 to 20 form part of these financial statements.

1. General information

Veolia Energy Cleanpower One UK Limited is a private company limited by shares, incorporated in England and Wales.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Ultimate controlling party

The Company is consolidated in the consolidated financial statements of its ultimate parent company and controlling entity, Veolia Environnement S.A. (incorporated in France). Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the registered office at 21 rue La Boétie, 75008 Paris, France.

2. Accounting policies (continued)

2.4 Going concern

The Company's main contract ended during 2021 and whilst it is continuing to trade as it disposes of its assets and fulfils its remaining contractual obligations, the Directors have prepared the financial statements on the basis that the company is no longer a going concern.

However, the Company continues to participate in Group centralised treasury arrangements and so shares banking and intercompany loan arrangements with VUK and other UK based Group fellow subsidiaries. The Directors have therefore received written confirmation from VUK that they will, if required, provide financial support to the Company for the coming year. The Directors have made enquiries and have gained assurance that VUK is in a position to provide this support if needed.

2.5 Revenue

Revenue is recognised in line with the achievement of performance obligations to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

The following criteria must also be met before revenue is recognised:

- revenue from electricity generation is recognised at the point of generation, which is equivalent to the point at which it is dispatched to the National Grid;
- revenue from gas is recognised at the point of generation, which is equivalent to the point at which it is dispatched to the National Grid;
- revenue from heat is recognised at the point it is supplied to the customer.

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

2.6 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

2. Accounting policies (continued)

2.7 Interest receivable

Interest receivable consists of income from amounts owed by Group fellow subsidiaries.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised In respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

2.9 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value. Loans receivable or payable on demand are classed as short-term and hence are not discounted.

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Cash and cash equivalents

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

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Financial assets at amortised cost

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

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all financial assets subsequently measured at amortised cost. The Company calculates ECLs by utilising historic default rates for different customers' profiles. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Furthermore, the assessment of ECLs takes into consideration the following:

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

Derecognition of financial assets

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

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

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

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

The Company has not made any material estimates or judgments that may result in a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Revenue

An analysis of revenue by class of business is as follows:

	2022	*2021*
	£000	*£000*
Rendering of services	**88**	*1,208*

All revenue arose within the United Kingdom.

5. Operating profit/(loss)

	2022	*2021*
	£000	*£000*
Operating profit/(loss)	**228**	*(287)*
Add back items charged/(credited) to operating profit/(loss):		
Loss/(profit) on exchange differences	**1**	*(5)*
Adjusted 'current' EBIT	**229**	*(292)*
Add back items charged to operating profit/(loss):		
Depreciation of tangible fixed assets	**-**	*61*
Adjusted EBITDA	**229**	*(231)*

Auditor's remuneration of £8k *(2021: £6k)* was borne by a Group fellow subsidiary.

6. Employees

The Company has no employees other than the Directors, who did not receive any remuneration *(2021: £nil)*.

7. Directors' remuneration

The Directors are paid by, and perform services for, other companies within the Group alongside their services to this Company. Whilst not being paid by the Company, in 2022, the Directors' costs have been apportioned to the principal companies they serve within the UK&I group. Had the Directors' costs been recharged to all the companies those Directors serve, the Company would have incurred £nil *(2021: £1k)* of Directors' emoluments, including £nil *(2021: £nil)* of pension contributions.

8. Interest receivable

	2022 **£000**	*2021* *£000*
Interest receivable from Group fellow subsidiaries	**4**	*1*

9. Taxation

	2022 **£000**	*2021* *£000*
Corporation tax		
Current tax on profit/(loss) for the year	**35**	*(45)*
Total current tax	**35**	*(45)*
Deferred tax		
Origination and reversal of timing differences - current year	**12**	*(10)*
Origination and reversal of timing differences - prior years	**1**	-
Changes to tax rates	-	*(3)*
Total deferred tax	**13**	*(13)*
Taxation on profit/(loss) on ordinary activities	**48**	*(58)*

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021 - higher than)* the standard rate of corporation tax in the UK of 19% *(2021: 19%)*. The differences are explained below:

	2022 £000	*2021 £000*
Profit/(loss) on ordinary activities before tax	**232**	*(286)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2021: 19%)*	**44**	*(54)*
Effects of:		
Prior year adjustment - deferred tax	**1**	*-*
Effect of change in tax rate on deferred tax balances	**-**	*(3)*
Rate difference between current and deferred tax	**3**	*-*
Other permanent differences	**-**	*(1)*
Total tax charge/(credit) for the year	**48**	*(58)*

Factors that may affect future tax charges

Deferred tax assets and liabilities have been stated at the corporation tax rate of 25% *(2021: 25%)* reflecting the increase in the main UK corporation tax rate which took effect from 1 April 2023. This rate was substantively enacted on 24 May 2021 and remained in force at the Balance Sheet date. This is on the basis that it is anticipated that the Company's deferred tax assets and liabilities will materially unwind after 1 April 2023.

10. Deferred tax assets

	2022 £000
At 1 January	**13**
Charged to profit or loss	**(13)**
At 31 December	**-**

The deferred tax asset is made up as follows:

	2022 £000	*2021 £000*
Accelerated capital allowances	**-**	*13*

The movements in the year for each of the deferred taxation categories have been charged to the profit or loss in the Statement of Comprehensive Income.

11. Debtors

		2022 £000	*2021* *£000*
Amounts falling due after more than one year			
Deferred tax asset	10	-	*13*

	2022 £000	*2021* *£000*
Amounts falling due within one year		
Trade debtors	-	*77*
Amounts owed by Group fellow subsidiaries	-	*96*
Short-term loans owed by Group fellow subsidiaries	**240**	*449*
Prepayments	-	*5*
Corporation tax recoverable	**10**	*79*
Other taxation debtor	-	*1*
	250	*707*

Short-term loans owed by Group fellow subsidiaries include amounts due as part of the Company's participation in the UK Group's Cash Pool Arrangement ("CPA"). These balances remain repayable on demand and participation in the CPA can be cancelled by the Company at any time by giving 15 days written notice. It is not the current intent of the Company to demand repayment of such receivables and therefore some or all of the amounts may remain unsettled for a period greater than 12 months from the balance sheet date. However future events such as commercial matters, future opportunities, investment decisions and dividend proposals may significantly change the Company's current intentions regarding settlement of the aforementioned short-term loans.

12. Creditors: Amounts falling due within one year

	2022 £000	*2021* *£000*
Trade creditors	**4**	*32*
Amounts owed to Group fellow subsidiaries	**16**	*119*
Short-term borrowings	-	*7*
Contract liabilities	**35**	*20*
Accruals	**25**	*556*
	80	*734*

Deferred revenue, recognised as contract liabilities due within one year, has subsequently been recognised as revenue during the following year.

13. Share capital

	2022 £	*2021 £*
Allotted, called up and fully paid		
1 *(2021: 1)* A ordinary share of £1.00	1	*1*
1 *(2021: 1)* B ordinary share of £1.00	1	*1*
	2	*2*

14. Related party transactions

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

Balances outstanding as at 31 December 2022 with all related parties are disclosed in notes 11 and 12.

There were no trading transactions entered into during the year to 31 December 2022 with other related parties.

15. Post balance sheet events

There have been no significant events affecting the Company since the year end.

16. Immediate parent and controlling party

The immediate parent company is Veolia Energy & Utility Services UK Plc, a company incorporated in the UK.

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

Veolia Environnement S.A. is the smallest and largest group for which group financial statements, including Veolia Energy Cleanpower One UK Limited, are currently prepared.