

COMPANIES HOUSE
22 DEC 2022
EDINBURGH MAILBOX

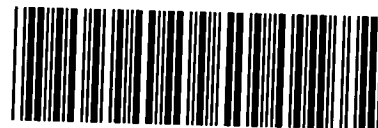
EGEC Holdings Limited

Annual Report and consolidated financial statements

Year ended 31 March 2022

Registered number: SC517944

THURSDAY



SBJFKY9M

SCT

22/12/2022

#72

COMPANIES HOUSE

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Contents

Officers and professional advisers	1
Strategic Report	2
Directors' Report	5
Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	7
Independent Auditor's Report to the Members of EGECHoldings Limited	8
Consolidated income statement	11
Consolidated statement of profit or loss and other comprehensive income	12
Consolidated and Company's statements of financial position	13
Consolidated and Company's statements of changes in equity	14
Consolidated and Company statements of cash flows	16
Notes to the financial statements	17

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Officers and professional advisers

Directors

I D Cockburn
T J Koltis
A S Lambie
R H G Shaw
N Young
A T McShane
L Prada

Registered office

C/O Brockwell Energy Limited
Caledonian Exchange
19a Canning Street
Edinburgh
EH3 8EG

Company Secretary

BEL1 Limited
C/O Brockwell Energy Limited
Caledonian Exchange
19a Canning Street
Edinburgh
EH3 8EG

Solicitor

Burness Paul LLP
1 West Regent Street
Glasgow
G2 1AP

Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Strategic Report

The Directors present their Strategic Report and the audited financial statements for the Group for the year ended 31 March 2022.

The Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. It sets out the main trends and factors underlying the performance of EGE Holdings Limited (the "Company") together with its subsidiary, Earls Gate Energy Centre Limited (together the "Group") during the year ended 31 March 2022.

Principal activities and business review

The principal activity of the Group is associated with the development of a replacement Combined Heat and Power ("CHP") plant at the Earls Gate Business Park, Grangemouth. The plant will be fuelled by refuse-derived fuel, will have a nominal capacity of 216,000 tonnes per annum and will export steam and up to 21.5 MWs of electricity to support various chemical businesses on the surrounding complex, with the balance of the electricity exported to the local grid.

Earls Gate Energy Centre Energy from Waste Project (the "Project") achieved Financial Close, being the point at which all the necessary contracts and financing arrangements are successfully concluded to allow for the construction activities to commence, on 18 December 2018. The Project is now in its fourth year of the construction programme.

Construction activities on the Project have progressed substantially until December 2021 under the Engineering, Procurement and Construction ("EPC") Contract with CNIM (Earls Gate) Limited which was placed by Earls Gate Energy Centre Limited at Financial Close. Due to a deteriorating financial and operational situation of the EPC Contractor, and the wider group headed by CNIM Groupe of which it is a member (the "CNIM group"), the EPC Contract with CNIM (Earls Gate) Limited was terminated on 31 January 2022. At the time of the termination of the EPC Contract, the overall status of completion of the construction works on the Project was estimated at 70% to 80%. Subsequent to the termination of the EPC Contract, Earls Gate Energy Centre Limited has exercised its rights to step into the sub-contracts for the key work packages required to complete the outstanding work and was successful in making a demand for the full amount secured under the performance bond that was provided under the EPC Contract.

Subsequent to the year-end, Earls Gate Energy Centre Limited has also terminated the long-term Operations and Maintenance ("O&M") Contract with MES Environmental Limited, a company that is also part of the CNIM group. All personnel assigned by the O&M Contractor to the Project were transferred from the O&M Contractor to Brockwell Energy Services Limited who retain a long-term Management Services Agreement for the construction and operational phases of the Project.

Following these events, the Group has been working on developing a strategy for completing the remaining works required to bring the CHP plant into full operation, securing the additional funding required to complete the Project and putting in place a plan for replacing the O&M Contractor for the operational phase of the Project. During that time, the site remained secured and safe, with essential maintenance, preservations and weatherproofing works carried out by the appointed sub-contractors to preserve the Project's infrastructure and support smooth remobilisation of the site later in the year.

On 23 August 2022, Earls Gate Energy Centre Limited appointed a specialist EPC Management ("EPCM") Contractor for the remaining term of the construction phase of the Project and the Group completed the senior debt restructuring process under which the senior lenders, the Company and its shareholders committed the additional funding required to complete the remaining construction works on the Project. Rectification Plan approved by the senior lenders outlines the budget requirements and the strategy for the completion of the remaining construction activities before the end of December 2023, and for a replacement O&M Contractor to be appointed at the latest 3 months before the scheduled completion date. The construction activities on site have now re-commenced in accordance with the plan and under the management of the appointed specialist technical advisers and the EPCM Contractor. As at the date of this report, the Directors consider that, following the completion of the Rectification Plan process, the Group has access to the financial, personnel and specialist technical resources required to complete the remaining construction and commissioning activities in line with the updated programme and within the approved budget.

In August 2022, Earls Gate Energy Centre Limited completed the commissioning and testing of the Back-up Boilers Section (the "Section") which will be used to produce the steam during the planned maintenance or any unexpected outage of the CHP plant. As at the date of the report, the Section is fully operational and is expected to be producing all of the steam required by the client under the Energy Supply Agreement until the CHP plant becomes operational.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Strategic Report *(continued)*

Key performance indicators

Due to the termination of the EPC Contract on 31 January 2022, the information in relation to the non-financial performance indicators that were reported on in the previous years is not available at 31 March 2022. Alternative set of performance indicators will be developed and reported on over time as the activities on site increase.

The Directors consider that the following are the financial indicators that provide the information that will help measure how effectively the Group is performing:

	As at 31 March 2022 £000	As at 31 March 2021 £000	Change %
Financial indicators			
Capital expenditure - Property, plant and equipment	185,051	137,453	35%

Principal risks and uncertainties

Details about the Group's financial risk exposure and financial risk management objectives and policies are set out in note 16.

Short to medium term risks

The principal risks facing the Group in the short- to medium-term are associated with the safety of the personnel working on site, risk of delays to the construction of the plant and potential for cost overruns. In order to mitigate against these risks, the management within the Group have:

- Developed a Rectification Plan outlining the revised programme and budget for the completion of the construction works on the Project and secured the additional funding required to complete the construction and commissioning of the plant;
- Authorised for the step-in rights under the sub-contracts for key work packages required to complete the outstanding works on the Project to be exercised;
- Included sufficient contingency in the updated construction budget to mitigate against the risk of cost overruns;
- Appointed expert technical advisers for the Owner's Engineer and the EPCM Contractor roles for the remaining duration of the construction phase of the Project;
- Ensured that the roles of the Principal Contractor and the Principal Designer under the Construction (Design and Management) Regulations 2015 (the "CDM Regulations") were transferred to suitably qualified and experienced advisers following the termination of the EPC Contract and implemented comprehensive protocols for monitoring of safety performance by Earls Gate Energy Centre Limited in its role as the Client under the CDM Regulations;
- Ensured that the Project is adequately resourced with experienced personnel; and
- Implemented robust review and reporting processes to measure the spend and progress of the work against the

Longer term risks

The longer-term risks and challenges which may affect the Group are associated with the post-construction operation and maintenance of the plant, ensuring continued off-take for the electricity and steam produced by the plant, maintaining the supply of the fuel necessary for operating the plant and managing the impact of any changes in the planning and environmental legislation. In order to mitigate against these, the Group has:

- Put in place plans for the appointment of a replacement O&M Contractor for the 25-year operational phase of the Project at the latest 3 months before the Project's scheduled completion date;
- Put in place a long-term Energy Supply Agreement for the offtake of steam and electricity that will be generated by the plant and extended the longstop date under the agreement beyond the completion date expected under the updated programme;

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Longer term risks *(continued)*

- Put in place long-term Fuel Supply Agreements with reputable counterparties and extended the longstop dates under these agreement beyond the completion date expected under the updated programme; and
- Ensured that the design and the specification of the plant can, as far reasonably possible, accommodate potential changes in the planning and environmental legislation, if such changes are introduced.

Other risks

Following the United Kingdom's ("UK") departure from the European Union on 31 January 2020 (the "Brexit"), the UK's transition period ended on 31 December 2020. The directors have assessed that Brexit has had, and is expected to continue to have, no impact on the Group and its operations.

On 11 March 2020, the World Health Organisation declared COVID-19 to be a global pandemic. Rapid rollout of the COVID-19 vaccines across the UK since the start of 2021 allowed the governments to ease of the restrictions and stimulated economic rebound. COVID-19 has not had any significant impact on the Group and its operations in the current or the prior financial year. The directors do not expect COVID-19 to have a material impact on the Group going forward.

The Group is monitoring the geopolitical situation in the Eastern Europe following Russia's invasion of Ukraine on 24 February 2022.

On behalf of the Board:



I D Cockburn
Director
21 December 2022

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Directors' Report

The Directors present their Directors' Report and the audited financial statements for the year ended 31 March 2022.

The Directors' Report has been prepared in accordance with the provisions of the Companies Act 2006. Reporting requirements in relation to the Group's principal activities, business overview, risks and uncertainties and key performance indicators are included in the Strategic Report on pages 2 to 4.

Dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors

The Directors who held office during the year and up to the date of this report were as follows:

I D Cockburn	
T J Koltis	
A S Lambie	
M R Mulcahy	(resigned 28 June 2022)
S L Ray	(resigned 30 November 2021)
R H G Shaw	
C B Waples	(resigned 8 June 2022)
N Young	(appointed 28 July 2021)
A T McShane	(appointed 28 June 2022)
L Prada	(appointed 28 September 2022)

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's and the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's and the Company's auditor is aware of that information.

Going concern

At 31 March 2022, the Group had net current assets of £13.65m (2021: £13.22) and net assets of £16.60m (2021: £6.76m). The Group recorded a profit for the financial year of £886,000 (2021: loss of £53,000) and a net increase in cash and cash equivalents of £2.10m (2021: £17.76m). The Company had net current liabilities of £140,000 (2021: £140,000) and net assets of £15.75m (2021: £15.75m) at 31 March 2022 and recorded no profit or loss for the year then ended (2021: loss of £68,000). The financial statements of the Group and of the Company have been prepared on a going concern basis which the Directors consider to be appropriate for the reasons outlined below.

After making enquiries, at the time of approving the financial statements, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue to operate for the foreseeable future and committed resources and credit lines to complete the construction of the plant in accordance with the Rectification Plan approved by the Group's senior lenders. Under the terms of the senior debt restructuring completed on 23 August 2022, the Group has secured access to £92.1m of committed funding required to complete the remaining construction works on the Project. This includes an additional secured commitment of £23.97m required from the Company and its shareholders to fund the funding gap resulting from the termination of the EPC Contract. Updated modelling of financial projections for the 25-year operational period of the plant that was undertaken as part of the debt restructuring process indicates that, despite the experienced delays and cost overruns, the Group will generate sufficient revenues from its operations to service the senior debt without the requirement to extend the originally agreed term, to meet other liabilities as they fall due and to generate significant value to the parent company and its shareholders.

The Directors have carefully considered the risks and uncertainties facing the Group outlined in detail in the Strategic Report presented on pages 2 to 4. In considering these risks, the Directors have prepared financial forecasts for a period of at least twelve months from the date of the approval of these accounts. In addition, the Directors have

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Directors' Report *(continued)*

Going concern *(continued)*

considered severe but plausible downside sensitivity scenarios to their projections to quantify the potential downside risks to financial performance of the Group. On this basis, the Directors have a reasonable expectation that the Group and the Company have sufficient financial resources to meet their obligations as they fall due for at least the next twelve months. The Directors have therefore concluded that it is appropriate to prepare these financial statements on the going concern basis.

Subsequent events

There were no additional significant events after the end of the year to report.

Future developments

The Group is currently constructing a 216,000 tonne CHP plant in Grangemouth, Scotland. The construction of the plant is expected to be completed in Q4 2023.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board:



I D Cockburn
Director
21 December 2022

Registered address:
C/O Brockwell Energy Limited
Caledonian Exchange
19a Canning Street
Edinburgh,
EH3 8EG

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and parent company financial statements in accordance with international financial reporting standards 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 Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of EGEC Holdings Limited

Opinion

We have audited the financial statements of EGEC Holdings Limited ("the Company") for the year ended 31 March 2022 which comprise the consolidated income statement, the consolidated statement of profit and loss and other comprehensive income, consolidated and Company's statements of financial position, consolidated and Company's statements of changes in equity, consolidated and Company's statements of cash flows and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected, or alleged fraud.

Independent Auditor's Report to the Members of EGECH Holdings Limited (continued)

- Reading board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Identifying and responding to risks of material misstatement due to fraud (continued)

As required by auditing standards, we perform procedures to address the risk of management override of controls.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to cash and loans with a corresponding entry to unusual accounts and those posted to property, plant and equipment with a corresponding entry to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

Independent Auditor's Report to the Members of EGEC Holdings Limited (continued)

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



**Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

21st December 2022

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Consolidated income statement
for the year ended 31 March 2022

		Group	Group
	Note	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Revenue	1	404	-
Cost of sales	1	(168)	-
Gross profit		236	-
Other operating income		767	-
Other operating expenses	2	(331)	(1)
Operating profit/(loss)		672	(1)
Finance income	4	866	19
Finance costs	5	(298)	-
Net finance income		568	19
Profit before tax		1,240	18
Taxation	6	(354)	(71)
Profit/(loss) for the year		886	(53)

All results derive from continuing operations.

The notes on pages 17 to 41 form an integral part of these financial statements.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement and the related notes.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 March 2022

	Note	Group Year ended 31 March 2022 £000	Group Year ended 31 March 2021 £000
Profit/(loss) for the year		886	(53)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Cash flow hedges – effective portion of changes in fair value		10,999	5,765
Cost of hedging reserve – changes in fair value		13	52
Related tax	6	(2,087)	(1,106)
Other comprehensive income for the year, net of tax		8,925	4,711
Total comprehensive income for the year		9,811	4,658

The notes on pages 17 to 41 form an integral part of these financial statements.

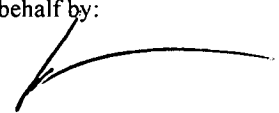
EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Consolidated and Company's statements of financial position
as at 31 March 2022

		Group	Company	Group	Company
	Note	As at 31 March 2022 £000	As at 31 March 2022 £000	As at 31 March 2021 £000	As at 31 March 2021 £000
Non-current assets					
Investment in subsidiary	7	-	15,892	-	15,892
Interest in joint venture	8	-	-	-	-
Goodwill	9	-	-	-	-
Amounts owed by subsidiary undertaking	18	-	66,112	-	59,376
Property, plant and equipment	10	185,051	-	137,453	-
Deferred tax assets	6	-	-	1,968	-
Derivative financial assets	16	3,221	-	-	-
		188,272	82,004	139,421	75,268
Current assets					
Cash and cash equivalents	11	21,561	-	19,458	-
Trade and other receivables	12	831	-	564	-
		22,392	-	20,022	-
Total assets		210,664	82,004	159,443	75,268
Current liabilities					
Trade and other payables	13	(2,448)	(140)	(5,039)	(140)
Derivative financial liabilities	16	-	-	(1,764)	-
Loans and borrowings	14	(6,291)	-	-	-
		(8,739)	(140)	(6,803)	(140)
Non-current liabilities					
Loans and borrowings	14	(184,847)	(66,112)	(138,088)	(59,376)
Derivative financial liabilities	16	-	-	(7,790)	-
Deferred tax liability	6	(473)	-	-	-
		(184,320)	(66,112)	(145,878)	(59,376)
Total liabilities		(194,059)	(66,252)	(152,681)	(59,516)
Net assets		16,605	15,752	6,762	15,752
Equity					
Share capital	15	15,892	15,892	15,892	15,892
Retained losses	15	741	(140)	(145)	(140)
Reserves	15	(28)	-	(8,985)	-
Total equity		16,605	15,752	6,762	15,752

The notes on pages 17 to 41 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 December 2022 and were signed on their behalf by:


I D Cockburn, Director
Registered number: SC517944

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Consolidated and Company's statements of changes in equity
for the year ended 31 March 2022

Group

	Share capital £000	Retained loss £000	Cash flow hedge reserve £000	Cost of hedging reserve £000	Total equity £000
Balance at 1 April 2020	15,892	(92)	(13,487)	(209)	2,104
Total comprehensive expense for the year					
Loss for the year	-	(53)	-	-	(53)
Total other comprehensive income for the year	-	-	4,669	42	4,711
Total comprehensive (expense)/income for the year	-	(53)	4,669	42	4,658
Balance at 31 March 2021	15,892	(145)	(8,818)	(167)	6,762
Balance at 1 April 2021	15,892	(145)	(8,818)	(167)	6,762
Total comprehensive expense for the year					
Profit for the year	-	886	-	-	886
Total other comprehensive income for the year	-	-	8,903	22	8,925
Hedging gains and losses released as missed forecast	-	-	32	-	32
Total comprehensive income for the year	-	886	8,935	22	9,843
Balance at 31 March 2022	15,892	741	117	(145)	16,605

The notes on pages 17 to 41 form an integral part of these financial statements.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Consolidated and Company's statements of changes of equity
for the year ended 31 March 2022 *(continued)*

Company

	Share capital £000	Retained loss £000	Cash flow hedge reserve £000	Cost of hedging reserve £000	Total equity £000
Balance at 1 April 2020	15,892	(72)	-	-	15,820
Total comprehensive expense for the year					
Loss for the year	-	(68)	-	-	(68)
Total other comprehensive expense for the year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(68)	-	-	(68)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	15,892	(140)	-	-	15,752
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 April 2021	15,892	(140)	-	-	15,752
Total comprehensive expense for the year					
Result for the year	-	-	-	-	-
Total other comprehensive expense for the year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	15,892	(140)	-	-	15,752
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 17 to 41 form an integral part of these financial statements.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Consolidated and Company statements of cash flows
for the year ended 31 March 2022

		Group	Company	Group	Company
	Note	As at 31 March 2022 £000	As at 31 March 2022 £000	As at 31 March 2021 £000	As at 31 March 2021 £000
Cash flows from operating activities					
Loss for the year		886	-	(53)	(68)
<i>Adjustments for:</i>					
Net finance income	4 & 5	(568)	-	(19)	-
Tax	6	354	-	71	68
Other adjustments		(265)	-	-	-
		407	-	(1)	-
<i>Changes in:</i>					
Trade and other receivables	12	(267)	-	240	-
Trade and other payables	13	(2,591)	-	(3,829)	-
Cash generated from operating activities		(2,451)	-	(3,590)	-
Net cash used in operating activities		(2,451)	-	(3,590)	-
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	(41,567)	-	(30,763)	-
Net cash used in investing activities		(41,567)	-	(30,763)	-
Cash flows from financing activities					
Proceeds from loans and borrowings	14	46,313	-	53,627	-
Net cash from financing activities		46,313	-	53,627	-
Net increase in cash and cash equivalents		2,296	-	19,274	-
Cash and cash equivalents at the start of the year	11	19,458	-	1,703	-
Effect of movements in exchange rates on cash held		(192)	-	(1,519)	-
Cash and cash equivalent at the end of the year	11	21,561	-	19,458	-

The notes on pages 17 to 41 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Reporting entity

EGEC Holdings Limited is a private company limited by shares, incorporated in Scotland in the UK. The address of the Company's registered office is provided on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 4.

Summary of accounting policies which have been applied consistently by the Group and the Company in the current and the prior year is presented below.

Basis of preparation

These financial statements were prepared in accordance with IFRS as adopted by the EU, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary Earls Gate Energy Centre Limited. Financial statements of the Company present information about EGE Holdings Limited as a separate entity and not about the Group. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and the related notes.

Subsidiaries

Subsidiaries are those entities controlled by the Group or the Company. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity in order to obtain variable returns from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries acquired are consolidated in the financial statements of the Group from the date that control commences until the date control ceases. Any goodwill that arises on acquisition is tested annually for impairment. On consolidation, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or a joint control over those policies. A joint venture is a type of a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of the control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or a joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Basis of accounting

The Group and the Company prepare financial statements on historical cost basis. Where carrying values of assets and liabilities are calculated on different basis, this is disclosed in the specific accounting policy.

The financial statements are presented in Sterling, and all values are rounded to the nearest thousand.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Disclosure of impact of changes to the accounting standards

New standards, amendments and interpretations effective for the reporting year are listed below. None of them had any relevant effect on the Group's or the Company's financial statements.

Title	Effective Date
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 April 2021
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021

In these financial statements, the Group has applied early the following amendment issued by the IASB and available for early adoption:

Title	Effective Date
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022

Adoption of the amendment resulted in the Group recognising £404,000 (2021: £nil) of revenues and £168,000 (2021: £nil) of costs related to the steam outputs produced by an item of Property, Plant and Equipment in the year ended 31 March 2022 before the item became available for use.

New standards, amendments and interpretations issued by the IASB and available for early adoption but not applied in these financial statements are listed below.

Title	Effective Date
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

Going concern

At 31 March 2022, the Group had net current assets of £13.65m (2021: £13.22) and net assets of £16.60m (2021: £6.76m). The Group recorded a profit for the financial year of £886,000 (2021: loss of £53,000) and a net increase in cash and cash equivalents of £2.10m (2021: £17.76m). The Company had net current liabilities of £140,000 (2021: £140,000) and net assets of £15.75m (2021: £15.75m) at 31 March 2022 and recorded no profit or loss for the year then ended (2021: loss of £68,000). The financial statements of the Group and of the Company have been prepared on a going concern basis which the Directors consider to be appropriate for the reasons outlined below.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Going concern *(continued)*

After making enquiries, at the time of approving the financial statements, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue to operate for the foreseeable future and committed resources and credit lines to complete the construction of the plant in accordance with the Rectification Plan approved by the Group's senior lenders. Under the terms of the senior debt restructuring completed on 23 August 2022, the Group has secured access to £92.1m of committed funding required to complete the remaining construction works on the Project. This includes an additional secured commitment of £23.97m required from the Company and its shareholders to fund the funding gap resulting from the termination of the EPC Contract. Updated modelling of financial projections for the 25-year operational period of the plant that was undertaken as part of the debt restructuring process indicates that, despite the experienced delays and cost overruns, the Group will generate sufficient revenues from its operations to service the senior debt without the requirement to extend the originally agreed term, to meet other liabilities as they fall due and to generate significant value to the parent company and its shareholders.

The principal risks facing the business include:

- The risks facing the Group in the short- to medium-term are associated with the safety of the personnel working on site, risk of delays to the construction of the plant and potential for cost overruns.

The Directors have mitigated those risks by developing a Rectification Plan which outlines the revised programme and budget for the completion of the construction works on the Project, securing the additional funding required to complete the outstanding works, authorising the to step-in rights under the sub-contracts for key work packages required to complete the Project to be exercised, including sufficient contingency in the updated construction budget, ensuring that the Project is adequately resourced and implementing comprehensive protocols for monitoring of safety performance and measuring the spend and progress against budgets.

- The longer-term risks facing the Group are associated with the post-construction operation and maintenance of the plant, ensuring continued off-take for the electricity and steam, maintaining the supply of the fuel necessary for operating the plant and managing the impact of any changes in the planning and environmental legislation.

Operational risks have been mitigated through putting in place plans for the replacement of the O&M Contractor at the latest 3 months before the scheduled completion date, entering into long-term agreements for the supply of waste and off-take of steam and electricity and extending the longstop dates under those agreements beyond the revised completion date for the Project, and ensuring that the design and specification of the CHP can accommodate potential changes in the planning and environmental legislation.

- Other general risks facing the Group are associated with potential impacts of Brexit, COVID-19 and the war in Ukraine. These have not had any impact on the Group or its operations in the current or the prior year but continue to be monitored by the Directors.

In considering the risks and uncertainties facing the Group, the Directors have prepared financial forecasts for a period of at least twelve months from the date of the approval of these accounts. In addition, the Directors have considered severe but plausible downside sensitivity scenarios to their projections to quantify the potential downside risks to financial performance of the Group. On this basis, and having considered the risks and uncertainties described above, the Directors have a reasonable expectation that the Group, and therefore the Company, have sufficient financial resources to meet their obligations as they fall due for at least the next twelve months. The Directors have therefore concluded that it is appropriate to prepare these financial statements on the going concern basis.

Revenue recognition

Revenue from contracts with customers is recognised to the extent that it reflects the expected consideration for goods or services provided to the customer, over the performance obligations they are being provided. For each separable performance obligation identified, the Group determines whether it is satisfied at a "point in time" or "over time" based upon an evaluation of the receipt and consumption of benefits, control of assets and enforceable payment rights associated with that obligation. If the criteria required for "over time" recognition are not met, the performance obligation is deemed to be satisfied at a "point in time".

Revenue principally arises as a result of the Group's activities associated with the energy production in the United Kingdom.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Revenue recognition *(continued)*

Electricity and steam generation

Revenue from the physical generation of electricity and steam is recognised at “point in time” as generated and supplied to the customers under the Energy Supply Agreement and/or the Power Purchase Agreement.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, net of accumulated depreciation and provisions for impairment.

Capitalised costs include all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by the management. Borrowing costs that are directly attributable to the construction of a qualifying asset (which is an asset necessarily taking a substantial period of time to be prepared for its intended use) are capitalised as part of the cost of the asset. Capitalisation ceases when substantially all activities that are necessary to prepare the asset for its intended use are complete.

Items of property, plant and equipment are not depreciated until they are fully commissioned and ready for use. From that point, they are depreciated following the straight-line method over their useful life, on the basis of the acquisition cost less any residual value. Land and assets under the course of construction are not depreciated.

Where an item of property, plant and equipment comprises a major component having a different useful life, the component is accounted for as a separate item of property, plant and equipment, and is depreciated accordingly over its useful life.

Proceeds from selling the outputs generated by an item of Property, plant and equipment before the related item is available for use are recognised in the income statement, together with the costs of producing those outputs.

Capitalised borrowing costs are depreciated over the expected life of the underlying asset to which they relate.

Assumptions regarding the useful life of the assets and residual values are reviewed by the management on annual basis.

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Internally generated goodwill is not recognised. Goodwill is not amortised but is tested annually for impairment.

Foreign currencies

These financial statements have been presented in Sterling, which is the functional currency of the Group.

Transactions denominated in foreign currencies are recorded in Sterling at actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date.

Gains and losses arising from changes in the exchange rates subsequent to the dates of transactions are included in the income statement, except for differences arising on the revaluation of qualifying cash flow hedges, which are recognised in the statement of profit or loss and other comprehensive income.

Taxation

The tax charge or credit for the period comprises both current and deferred tax.

Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Taxation (continued)

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 reporting date.

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

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer discretionary. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges

Where a derivative financial instrument is designated as a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and is accumulated in the hedging reserve within equity.

Changes in the fair value of the element considered as "cost of hedging" are separately recognised in the costs of hedging reserve within equity.

The portion of gain or loss on a derivative financial instrument which is deemed to be ineffective is recognised in the income statement. The gains or losses that are recognised directly in equity are transferred to the income statement in the same year in which the forecast transaction actually occurs.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as an item of property, plant and equipment, the amounts accumulated in the hedging reserve and the cost of hedging reserve are included directly in the initial cost of the non-financial item when it is recognised.

Non-derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits held at banks. The foreign currency risk component of cash and cash equivalents may be designated as a hedge of foreign currency risk.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost, less provision for impairment.

Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial instruments *(continued)*

Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Fair value measurement

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Finance income and finance costs

Finance income includes interest income on funds invested, net foreign exchange gains and ineffective portion of gains on financial derivatives treated as cash flow hedges. Finance costs include interest expense recognised in the income statement, ineffective portion of losses on financial derivatives treated as cash flow hedges, missed forecast related to cash flow hedges and net foreign exchange losses recognised in the income statement.

Interest income or expense is recognised using the effective interest method.

Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation ceases when substantially all activities that are necessary to prepare the asset for its intended use are complete. On completion of the construction of the item of property, plant and equipment, the interest incurred on borrowings is charged to the income statement in the year in which it accrues.

Dividend income is recognised in the income statement on the date on which the right to receive the payment is established.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At the lease commencement date, a right-of-use asset and a lease liability are recognised. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the Group. After the lease commencement date, the right-of-use asset is measured using a cost model (at cost less accumulated depreciation and accumulated impairment).

The lease liability is initially measured at the present value of the lease payments payable over the term of the lease, discounted at the rate implicit in the lease, if such can be readily determined. If the rate cannot be readily determined, the Group’s incremental borrowing rate is used. Where required, the lease liability is subsequently remeasured to reflect changes in the circumstances, with the effects of remeasurements treated as adjustments to the right-of-use asset.

The Group holds only one low-value lease. The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

Share capital

Ordinary shares are accounted for as equity. Costs associated with the issue of new shares are deducted from the proceeds of issue.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Fair value measurement

When such are available, the Group measures the fair values of its derivative financial instruments (interest rate swaps and forward exchange contracts) using the quoted prices in an active market for the instruments. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Items of property, plant and equipment and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Effective interest rate calculations

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates the cash flows arising from the financial instrument by considering all of the contractual terms of the instrument and taking into account the latest available forecasts in relation to the expected performance of the business, if this may affect the timing and/or the amount of the cash flows. When estimates of cash flows are revised, the carrying amount of the financial asset or financial liability is adjusted to reflect the actual and the revised estimated cash flows.

Deferred tax asset recoverability

Deferred tax assets in respect of tax losses and other temporary differences are not recognised unless there is sufficient evidence that the Group will generate sufficient profits for the deferred tax assets to be recoverable in the foreseeable future.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

2 Expenses and auditor's remuneration

	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2022	2021
	£000	£000
<i>Included in the profit or loss are the following:</i>		
Other expenses	331	1
	<hr/>	<hr/>
	331	1
	<hr/>	<hr/>
	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2022	2021
	£000	£000
Fees payable to the Group's auditor for the audit of the financial statements	47	28
	<hr/>	<hr/>

The fees for the audit of the Group in the current and the prior year were borne by Earls Gate Energy Centre Limited.

3 Employees and Directors

The Group and the Company had no employees during the current or the prior year, and the Directors received no remuneration during either the current or the prior year in relation to their services to the Company and the Group.

4 Finance income

	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2022	2021
	£000	£000
Foreign currency exchange translation gains	4	19
Ineffective portion of gains on derivatives treated as cash flow hedges	862	-
	<hr/>	<hr/>
	866	19
	<hr/>	<hr/>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

5 Finance costs

	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2022	2021
	£000	£000
Missed forecast related to cash flow hedges	298	-
	<u>298</u>	<u>-</u>

6 Taxation

Amounts recognised in profit or loss

	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2022	2021
	£000	£000
Current tax:		
Current tax on loss for the year	-	-
Adjustment in respect of previous periods	-	72
Total current tax credit	<u>-</u>	<u>72</u>
Deferred tax:		
Current year	(354)	(71)
Adjustment in respect of previous periods	-	(72)
Total deferred tax expense	<u>(354)</u>	<u>(143)</u>
Total tax expense	<u>(354)</u>	<u>(71)</u>

Deferred tax expense arises in Earls Gate Energy Centre Limited.

Amounts recognised in other comprehensive income

	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2022	2021
	£000	£000
Items that are or may be reclassified subsequently to profit or loss:		
Cash flow hedge reserve – deferred tax on effective portion of changes in fair value	2,096	(1,096)
Cost of hedging reserve – deferred tax on net change in fair value	(9)	(10)
Total tax credit/(expense)	<u>2,087</u>	<u>(1,106)</u>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

6 Taxation *(continued)*

Reconciliation of effective tax rate	Group	Group
	Year ended	Year ended
	31 March	31 March
	2022	2021
	£000	£000
Profit before tax	1,240	18
Tax using the UK corporation tax rate of 19.00% (2021: 19.00%)	236	3
<i>Effects of:</i>		
Expenses not deductible	-	68
Tax rate changes	118	-
Total tax expense	354	71

In March 2021 Budget it has been announced that legislation will be introduced in Finance Bill 2021 to set the main rate of UK corporation tax at 19% for the financial year beginning 1 April 2022 and at 25% for the financial year beginning 1 April 2023. Deferred tax balances have been measured at 25%.

Deferred taxation (Group)

Deferred tax assets and liabilities are attributable to the following:

	Asset		Liability		Net	
	As at	As at	As at	As at	As at	As at
	31 March	31 March	31 March	31 March	31 March	31 March
	2022	2021	2022	2021	2022	2021
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	-	-	(6,550)	(2,789)	(6,550)	(2,789)
Temporary differences	-	4	-	-	-	4
Derivative financial instruments	-	2,107	(194)	-	(194)	2,107
Losses	1,557	872	-	-	1,557	872
Corporate interest restriction	4,714	1,774	-	-	4,714	1,774
Net tax assets/(liabilities)	6,271	4,757	(6,744)	(2,789)	(473)	1,968

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

6 Taxation *(continued)*

Deferred taxation (Group) *(continued)*

Movement in deferred tax during the year:

	At 1 April 2021 £000	Recognised in profit or loss £000	Recognised in other comprehensive income £000	At 31 March 2022 £000
Property, plant and equipment	(2,789)	(3,761)	-	(6,550)
Temporary differences	4	(4)	-	-
Derivative financial instruments	2,107	(214)	(2,087)	(194)
Losses	872	685	-	1,557
Corporate interest restriction	1,774	2,940	-	4,714
	<u>1,968</u>	<u>(354)</u>	<u>(2,087)</u>	<u>(473)</u>

Movement in deferred tax during the prior year:

	At 1 April 2020 £000	Recognised in profit or loss £000	Recognised in other comprehensive income £000	At 31 March 2021 £000
Property, plant and equipment	(1,078)	(1,711)	-	(2,789)
Temporary differences	4	-	-	4
Derivative financial instruments	3,213	-	(1,106)	2,107
Losses	560	312	-	872
Corporate interest restriction	518	1,256	-	1,774
	<u>3,217</u>	<u>(143)</u>	<u>(1,106)</u>	<u>1,968</u>

As at 31 March 2022, the Directors consider that it is probable that the Group will generate sufficient profits in the foreseeable future against which the deferred tax assets can be realised. Deferred tax assets were therefore recognised accordingly.

7 Investment in subsidiary

As at 31 March 2022, the Company held 100% interest in Earls Gate Energy Centre Limited; a company registered in Scotland (at Caledonian Exchange, 19a Canning Street, Edinburgh, EH3 8EG), whose principal activity is the development of a replacement CHP plant at the Earls Gate Business Park in Grangemouth. The interest is carried at its net book value of £15.89m (2021: £15.89m). In the opinion of the Directors, the recoverable amount of the investment as at 31 March 2022 is at least equal to its carrying amount.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

7 Investment in subsidiary *(continued)*

	Company
	Total £000
<i>Cost</i>	
At 1 April 2021	16,209
Additions	-
	<hr/>
At 31 March 2022	16,209 <hr/> <hr/>
<i>Allowance for impairment</i>	
At 1 April 2021	(317)
Impairment loss recognised in the year	-
Reversal of impairment losses previously recognised	-
Disposals	-
	<hr/>
At 31 March 2022	(317) <hr/> <hr/>
<i>Net book value</i>	
At 31 March 2022	15,892 <hr/> <hr/>
At 31 March 2021	15,892 <hr/> <hr/>

	Company
	Total £000
<i>Cost</i>	
At 1 April 2020	16,209
Additions	-
	<hr/>
At 31 March 2021	16,209 <hr/> <hr/>
<i>Allowance for impairment</i>	
At 1 April 2020	(317)
Impairment loss recognised in the year	-
Reversal of impairment losses previously recognised	-
Disposals	-
	<hr/>
At 31 March 2021	(317) <hr/> <hr/>
<i>Net book value</i>	
At 31 March 2021	15,892 <hr/> <hr/>
At 31 March 2020	15,892 <hr/> <hr/>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

8 Interest in joint venture

As at 31 March 2022, the Group held 50% interest in Earls Gate Gridco Limited, a company registered in Scotland (at Earls Road, Grangemouth, FK3 8XG) whose principal activity is the ownership, operation and maintenance of the grid infrastructure on the site where the Earls Gate Energy Centre CHP plant will be located. The interest is carried at its cost of £1 (2021: £1). In the opinion of the Directors, the recoverable amount of the investment as at 31 March 2022 is at least equal to its carrying amount.

9 Goodwill

The goodwill recognised by the Group with respect to the investment in Earls Gate Energy Centre Limited was previously impaired after certain amounts receivable from the subsidiary became non-recoverable.

	Group
	Total
	£000
<i>Cost</i>	
At 1 April 2021	317
Additions	-
	<hr/>
At 31 March 2022	317
	<hr/>
<i>Allowance for impairment</i>	
At 1 April 2021	(317)
Impairment loss recognised in the year	-
Reversal of impairment losses previously recognised	-
Disposals	-
	<hr/>
At 31 March 2022	(317)
	<hr/>
<i>Net book value</i>	
At 31 March 2022	-
	<hr/>
At 31 March 2021	-
	<hr/>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

9 Goodwill *(continued)*

	Group Total £000
<i>Cost</i>	
At 1 April 2020	317
Additions	-
	<hr/>
At 31 March 2021	317
	<hr/>
<i>Allowance for impairment</i>	
At 1 April 2020	(317)
Impairment loss recognised in the year	-
Reversal of impairment losses previously recognised	-
Disposals	-
	<hr/>
At 31 March 2021	(317)
	<hr/>
<i>Net book value</i>	
At 31 March 2021	-
	<hr/>
At 31 March 2020	-

10 Property, plant and equipment

	Group Assets under construction £000	Group Total £000
<i>Cost</i>		
At 1 April 2021	137,453	137,453
Additions	47,598	47,598
	<hr/>	<hr/>
At 31 March 2022	185,051	185,051
	<hr/>	<hr/>
<i>Depreciation</i>		
At 1 April 2021	-	-
Charge for the year	-	-
	<hr/>	<hr/>
At 31 March 2022	-	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March 2022	185,051	185,051
	<hr/>	<hr/>
At 31 March 2021	137,453	137,453
	<hr/>	<hr/>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

10 Property, plant and equipment *(continued)*

	Group	Group
	Assets under construction £000	Total £000
<i>Cost</i>		
At 1 April 2020	100,669	100,669
Additions	36,784	36,784
	<hr/>	<hr/>
At 31 March 2021	137,453	137,453
	<hr/>	<hr/>
<i>Depreciation</i>		
At 1 April 2020	-	-
Charge for the year	-	-
	<hr/>	<hr/>
At 31 March 2021	-	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March 2021	137,453	137,453
	<hr/>	<hr/>
At 31 March 2020	100,669	100,669
	<hr/>	<hr/>

Assets under construction comprise development, planning and construction costs directly attributable to the development of the Project. The above balance as at 31 March 2022 includes £26.38m (2021: £14.86m) of capitalised interest on loans and borrowings. Interest on loans and borrowings is being capitalised in full as all loans and borrowings relate specifically to the assets under construction.

Assets under construction are held by Earls Gate Energy Centre Limited and the Company did not own any items of property, plant and equipment in the current or the prior year.

11 Cash and cash equivalents

	Group	Company	Group	Company
	As at 31 March 2022 £000	As at 31 March 2022 £000	As at 31 March 2021 £000	As at 31 March 2021 £000
Cash at bank and in hand	21,561	-	19,458	-
	<hr/>	<hr/>	<hr/>	<hr/>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

12 Trade and other receivables

	Group	Company	Group	Company
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2022	2022	2021	2021
	£000	£000	£000	£000
Deposits	264	-	264	-
Trade receivables	15	-	78	-
Other taxes and social security	281	-	43	-
Other receivables	136	-	177	-
Amounts due from related parties	60	-	2	-
Prepayments	75	-	-	-
	<u>831</u>	<u>-</u>	<u>564</u>	<u>-</u>

13 Trade and other payables

	Group	Company	Group	Company
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2022	2022	2021	2021
	£000	£000	£000	£000
Trade payables	852	-	136	-
Other payables and deferred income	330	-	178	-
Amounts owed to group undertakings	-	140	-	140
Amounts owed to related parties	450	-	62	-
Accruals	816	-	4,663	-
	<u>2,448</u>	<u>140</u>	<u>5,039</u>	<u>140</u>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

14 Loans and borrowings

	Group	Company	Group	Company
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2022	2022	2021	2021
	£000	£000	£000	£000
Non-current liabilities				
Loans owed to related undertakings	66,112	66,112	59,376	59,376
Senior debt	118,735	-	78,712	-
	184,847	66,112	138,088	59,376
Current liabilities				
Senior debt	6,291	-	-	-
	6,291	-	-	-

Amounts owed to related parties are represented by the loan notes issued by EGE Holdings Limited. Under the terms of the Loan Note Instrument, loan notes accrue interest at a fixed rate of 11%, are unsecured and are subordinated to the senior debt. Included in the amount outstanding is £47.54m (2021: £47.54m) in relation to cash received and £18.57m (2021: £11.83m) of accrued interest, out of which £18.55m (2021: £11.82m) has been capitalised into the value of the loan note principal in accordance with the terms of the instrument.

Senior debt liability includes £132m (2021: £85.42m) of cash received by Earls Gate Energy Centre Limited under the Term Loan Facility entered into at Financial Close with senior lenders. The Loan accrues interest at a base rate plus a margin and has a final maturity date of November 2036. The carrying amount of the liability is presented net of £6.73m (2021: £6.23m) of financing fees paid in relation to the facility and the interest accrued under the effective interest method.

15 Capital and reserves

Share capital

	Company	Company
	As at	As at
	31 March	31 March
	2022	2021
	£	£
<i>Allotted, called up and fully paid</i>		
15,891,756 (2021: 15,891,756) ordinary shares of £1 each	15,891,756	15,891,756

Retained losses

Retained losses represent accumulated profit and losses, net of dividends paid and other adjustments, and inclusive of any dividends received.

Cash flow hedge reserve

Cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the cross-currency basis.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

16 Financial instruments

Financial risk management

Market risk

Foreign exchange risk

Foreign exchange risk derives from the underlying costs denominated in a foreign currency under the EPC Contract. The Group's policy was to manage this risk at Financial Close through forward exchange contracts which protect the variability in Sterling payments arising from the contracted costs denominated in the Euro currency.

As at 31 March 2022, the Group did not hold any outstanding forward exchange contracts. Consequently, for the current year, there are no sensitivity analysis describing possible movements in the forward rates and impact on profit before tax and equity to disclose. Sensitivity analysis for the prior year and presented below:

	Effect on fair value of financial instruments £000	Effect on profit before tax £000	Effect on equity £000
31 March 2021			
Increase of 10% - EUR/GBP forward rate	2,237	-	2,237
Decrease of 10% - EUR/GBP forward rate	(2,236)	-	(2,236)
	<u> </u>	<u> </u>	<u> </u>

Interest rate risk

Interest rate risk derives from the Group's exposure to changes in the value of an asset or a liability or future cash flows as a result of changes in the interest rates.

The Group's policy to manage this risk was to enter into interest rate swaps in respect of all loans with floating interest rates which were entered into at Financial Close. The exposure was hedged at Financial Close.

The Group replaced its sterling LIBOR interest rate swaps used in cash flow hedging relationships with economically equivalent interest rate derivatives referencing SONIA by the end of 2021.

The sensitivity analysis below describes possible movements in interest rates, with all other variables held constant, showing the impact on profit before tax and equity:

	Effect on fair value of financial instruments £000	Effect on profit before tax £000	Effect on equity £000
31 March 2022			
Increase of 25 basis points	2,823	-	2,823
Decrease of 25 basis points	(2,902)	-	(2,902)
	<u> </u>	<u> </u>	<u> </u>

	Effect on fair value of financial instruments £000	Effect on profit before tax £000	Effect on equity £000
31 March 2021			
Increase of 25 basis points	3,456	-	3,456
Decrease of 25 basis points	(3,562)	-	(3,562)
	<u> </u>	<u> </u>	<u> </u>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

16 Financial instruments *(continued)*

Financial risk management *(continued)*

Market risk *(continued)*

Price risk

The Group is not exposed to commodity price risk.

Credit risk

There is no credit risk associated with cash and cash equivalents and trade and other receivables. Derivatives have been entered into with banks with credit ratings above acceptable threshold.

Liquidity risk

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

At Financial Close, the Group has entered into financing arrangements with the shareholders and senior lenders to secure the total funding required to cover the originally expected construction costs and contingencies, such that the Project is fully funded. Funding requirements of the Group have increased as a consequence of the termination of the EPC Contract on 31 January 2022, but additional funding commitments were secured by the Group on 23 August 2022 and will be used to fund the expected shortfall in the funding.

To manage the liquidity risk, lenders were required to meet an acceptable credit rating threshold. The original and additional equity contributions from the shareholders are based on a fixed schedule with provisions for acceleration of contributions in the event actual funding requirements of the Group differ from the agreed funding profile.

The following are the contractual cash flows of all financial liabilities of the Group and the Company at the reporting date, including estimated interest payments:

Group

At 31 March 2022	Contractual cash flows					
	Carrying amount £000	Total £000	1 year or less £000	1 to 5 years £000	5 to 10 years £000	More than 10 years £000
Non-derivative financial liabilities						
Trade and other payables	(2,448)	(2,448)	(2,448)	-	-	-
Loans owed to related undertakings	(66,112)	(209,807)	-	(29,864)	(47,017)	(132,926)
Senior debt loans	(125,026)	(163,480)	(9,250)	(38,882)	(54,158)	(61,190)
	<u>(193,586)</u>	<u>(375,735)</u>	<u>(11,698)</u>	<u>(68,746)</u>	<u>(101,175)</u>	<u>(194,116)</u>
Derivative financial liabilities						
Interest rate swaps used for hedging	3,221	2,108	137	2,447	(372)	(104)
Forward exchange contracts used for hedging	-	-	-	-	-	-
	<u>3,221</u>	<u>2,108</u>	<u>137</u>	<u>2,447</u>	<u>(372)</u>	<u>(104)</u>
Total financial liabilities	<u>(190,365)</u>	<u>(373,627)</u>	<u>(11,561)</u>	<u>(66,299)</u>	<u>(101,547)</u>	<u>(194,220)</u>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

16 Financial instruments *(continued)*

Financial risk management *(continued)*

Liquidity risk *(continued)*

Company

At 31 March 2022	Contractual cash flows					
	Carrying amount £000	Total £000	1 year or less £000	1 to 5 years £000	5 to 10 years £000	More than 10 years £000
Non-derivative financial liabilities						
Trade and other payables	(140)	(140)	(140)	-	-	-
Loans owed to related undertakings	(66,112)	(209,807)	-	(29,864)	(47,017)	(132,926)
	<u>(66,252)</u>	<u>(209,947)</u>	<u>(140)</u>	<u>(29,864)</u>	<u>(47,017)</u>	<u>(132,926)</u>
Total financial liabilities	<u>(66,252)</u>	<u>(209,947)</u>	<u>(140)</u>	<u>(29,864)</u>	<u>(47,017)</u>	<u>(132,926)</u>

Group

At 31 March 2021	Contractual cash flows					
	Carrying amount £000	Total £000	1 year or less £000	1 to 5 years £000	5 to 10 years £000	More than 10 years £000
Non-derivative financial liabilities						
Trade and other payables	(5,039)	(5,039)	(5,039)	-	-	-
Loans owed to related undertakings	(59,376)	(165,222)	-	(32,794)	(36,590)	(95,838)
Senior debt loans	(78,712)	(112,400)	(2,448)	(25,739)	(35,630)	(48,583)
	<u>(143,127)</u>	<u>(282,661)</u>	<u>(7,487)</u>	<u>(58,533)</u>	<u>(72,220)</u>	<u>(144,421)</u>
Derivative financial liabilities						
Interest rate swaps used for hedging	(7,790)	(9,520)	(2,171)	(5,136)	(1,690)	(523)
Forward exchange contracts used for hedging	(1,764)	(1,779)	(1,779)	-	-	-
	<u>(9,554)</u>	<u>(11,299)</u>	<u>(3,950)</u>	<u>(5,136)</u>	<u>(1,690)</u>	<u>(523)</u>
Total financial liabilities	<u>(152,681)</u>	<u>(293,960)</u>	<u>(11,437)</u>	<u>(63,669)</u>	<u>(73,910)</u>	<u>(144,944)</u>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

16 Financial instruments *(continued)*

Financial risk management *(continued)*

Liquidity risk *(continued)*

Company

At 31 March 2021	Contractual cash flows					
	Carrying amount	Total	1 year or less	1 to 5 years	5 to 10 years	More than 10 years
	£000	£000	£000	£000	£000	£000
Non-derivative financial liabilities						
Trade and other payables	(140)	(140)	(140)	-	-	-
Loans owed to related undertakings	(59,376)	(165,222)	-	(40,396)	(28,988)	(95,838)
	<u>(59,516)</u>	<u>(165,362)</u>	<u>(140)</u>	<u>(40,396)</u>	<u>(28,988)</u>	<u>(95,838)</u>
Total financial liabilities	<u>(59,516)</u>	<u>(165,362)</u>	<u>(140)</u>	<u>(40,396)</u>	<u>(28,988)</u>	<u>(95,838)</u>

Fair values

Set out below is a comparison by class of the carrying amount and fair values of the Group's and the Company's financial instruments that are carried in the financial statements:

	Group As at 31 March 2022		Company As at 31 March 2022	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets				
Amounts owed by subsidiary undertaking	-	-	66,112	66,112
Trade and other receivables	831	831	-	-
Cash and cash equivalents	21,561	21,561	-	-
Derivative financial assets	3,221	3,221		
	<u>25,613</u>	<u>25,613</u>	<u>66,112</u>	<u>66,112</u>
Financial liabilities				
Trade and other payables	(2,448)	(2,448)	(140)	(140)
Derivative financial liabilities	-	-	-	-
Loans and borrowings	(191,138)	(191,138)	(66,112)	(66,112)
	<u>(193,586)</u>	<u>(193,586)</u>	<u>(66,252)</u>	<u>(66,252)</u>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

16 Financial instruments *(continued)*

Fair values *(continued)*

	Group As at 31 March 2021		Company As at 31 March 2021	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets				
Amounts owed by subsidiary undertaking	-	-	59,376	59,376
Trade and other receivables	564	564	-	-
Cash and cash equivalents	19,458	19,458	-	-
	<u>20,022</u>	<u>20,022</u>	<u>59,376</u>	<u>59,376</u>
Financial liabilities				
Trade and other payables	(5,039)	(5,039)	(140)	(140)
Derivative financial liabilities	(9,554)	(9,554)	-	-
Loans and borrowings	(138,088)	(138,088)	(59,376)	(59,376)
	<u>(152,681)</u>	<u>(152,681)</u>	<u>(59,516)</u>	<u>(59,516)</u>

Basis of determination of fair values

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instruments could be exchanged in a current transaction between willing parties, other than a forced sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of cash and cash equivalents, trade and other payables and trade and other receivables are not materially different from those at which they are carried in the financial statements due to the short-term nature of these instruments;
- The fair values of derivative contracts are recorded in the Group's statement of financial position and are determined by discounting the future cash flows estimated to be paid or received under those contracts using a valuation technique based on EUR/GBP spot and GBP forward points and rates derived from short term rates, futures, and swap rates.

17 Commitments

Leases

The Group leases the land at the Earls Gate Business Park in Grangemouth, where the Earls Gate Energy Centre CHP plant will be located. The term of the lease is 125 years from the date of entry of 18 December 2018. On the date of entry, a lease premium has been paid to the landlord. Under the terms of the lease, a nominal rent is payable annually in arrears, only if requested by the landlord.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

17 Commitments *(continued)*

Capital commitments

	Group	Company	Group	Company
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2022	2022	2021	2021
	£000	£000	£000	£000
Construction costs - contracted but not provided for	18,777	-	64,907	-
	<u>18,777</u>	<u>-</u>	<u>64,907</u>	<u>-</u>

As at 31 March 2022, negotiations and procurement activities in relation to various contracts required to complete the construction works on the Project were still in progress. The Group's firm commitments in relation to construction costs at 31 March 2022 comprised of the contracted amounts under already existing agreements and new sub-contracts that Earls Gate Energy Centre Limited has stepped into or signed since the termination of the EPC Contract on 31 January 2022.

Contingencies

According to the requirements in the Connection and Use of System Code ("CUSC"), Earls Gate Energy Centre Limited will be liable for all related investments carried out by the transmission owner to the onshore grid infrastructure in order to accommodate the connection of the plant to the grid. Upon cancellation or reduction of the Project's capacity within a certain timeframe, the subsidiary will be liable for all local works that have been carried out up to that point and for a percentage share of all related wider works whether or not these works have commenced. National Grid has forecasted such liability at £172,000 (inc. VAT) for the period from 1 April 2022 to 30 September 2022. Earls Gate Energy Centre Limited has provided a security of £75,000 in relation to the cancellation charges in the form of a refundable deposit. The Directors expect the construction of the plant to be successfully completed and therefore do not expect the contingent amounts to become payable.

18 Related parties

Group

Transactions in the year ended 31 March 2022						
		Personnel	Other	Interest	Charges	Amounts
		cost charges	charges	charges	made	outstanding
		incurred	incurred	incurred		at 31 March
						2022
	Note	£000	£000	£000	£000	£000
BEL1 Limited	(i)	-	-	-	-	-
Brockwell Energy Group Limited	(ii)	-	-	3,368	-	33,056
Covanta Green Earls Gate Holdings Limited	(iii)	-	-	3,368	-	33,056
Brockwell Energy Limited	(iv)	-	34	-	-	-
Brockwell Energy Services Limited	(v)	1,500	-	-	-	370
Covanta Energy Limited	(vi)	255	-	-	(8)	23
Covanta Projects LLC	(vii)	72	-	-	-	-
Green Investment Group Limited	(viii)	35	-	-	-	6
CalaChem Ltd	(ix)	-	607	-	(454)	(9)
Earls Gate Gridco Limited	(x)	-	6	-	-	-
		<u>1,862</u>	<u>647</u>	<u>6,736</u>	<u>(462)</u>	<u>66,502</u>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements (continued)

18 Related parties (continued)

Group (continued)

Transactions in the year ended 31 March 2021						
		Personnel cost charges	Other charges	Interest charges	Costs recovered	Amounts outstanding at 31 March 2021
	Note	£000	£000	£000	£000	£000
BEL1 Limited	(i)	-	-	2,716	-	-
Brockwell Energy Group Limited	(ii)			294	-	29,688
Covanta Green Earls Gate Holdings Limited	(iii)	-	-	3,011	-	29,688
Brockwell Energy Limited	(iv)	-	31	-	-	8
Brockwell Energy Services Limited	(v)	850	-	-	-	-
Covanta Energy Limited	(vi)	251	-	-	(8)	23
Covanta Projects LLC	(vii)	106	-	-	-	9
Green Investment Group Limited	(viii)	34	-	-	-	9
CalaChem Ltd	(ix)	-	21	-	-	11
Earls Gate Gridco Limited	(x)	-	193	-	-	-
		<u>1,241</u>	<u>245</u>	<u>6,021</u>	<u>(8)</u>	<u>59,436</u>

- i) During the year, the Group received no additional funding (2021: £nil) from BEL1 Limited under the terms of the Loan Note Instrument dated 18 December 2018. Outstanding loan notes held by BEL1 Limited were transferred by BEL1 Limited to Brockwell Energy Group Limited on 26 February 2021, therefore no interest accrued on the loan notes during the year (2021: £2.72m). Following the transfer, no amounts were outstanding with BEL1 Limited at 31 March 2022 in relation to the loan notes (2021: £nil).
- ii) As at 31 March 2022, the Group owed £33.06m (2021: £29.69m) to Brockwell Energy Group Limited following the transfer from BEL1 Limited of the outstanding loan notes previously issued to it by the Company. Interest accrued on the loan notes during the year was £3.37m (2021: £0.29m).
- iii) During the year, the Group received no funding (2021: £nil) from Covanta Green Earls Gate Holdings Limited under the terms of the Loan Note Instrument dated 18 December 2018. Interest accrued on the loan notes during the year was £3.37m (2021: £3.01m). The amount of £33.06m (2021: £29.69m) outstanding at 31 March 2022 includes the balance of the funds received and the accrued interest.
- iv) During the year, the Group has been charged £34,000 (2021: £31,000) by Brockwell Energy Limited in relation to certain costs related to the development and construction of the Project. There were no amounts outstanding in relation to these recharges at 31 March 2022 (2021: £8,000).
- v) During the year, the Group has been charged £1,500,000 (2021: £850,000) by Brockwell Energy Services Limited for the services provided under the Principal Management Services Agreement dated 18 December 2018. As at 31 March 2022, £370,000 (2021: £nil) was outstanding in relation to those recharges.
- vi) During the year, the Group has been charged £255,000 (2021: £251,000) by Covanta Energy Limited in connection with the services provided to the Group under the Management Services Agreement dated 18 December 2018. As at 31 March 2022, £23,000 was outstanding in relation to those recharges (2021: £25,000). The Group also charged Covanta Energy Limited £8,000 (2021: £8,000) with respect to certain shared consultancy costs. As at 31 March 2022, there were no amounts outstanding in relation to those recharges (2021: £2,000).
- vii) During the year, the Group has been charged £72,000 (2021: £106,000) by Covanta Projects LLC, an affiliate of the Company's shareholder, Covanta Green Earls Gate Holdings Limited, in connection with the services provided to the Group under the Management Services Agreement dated 18 December 2018. As at 31 March 2022, there were no amounts outstanding in relation to those recharges (2021: £9,000).

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2022

Notes to the financial statements *(continued)*

18 Related parties *(continued)*

Group *(continued)*

- viii) As at 31 March 2022, the Group owed £6,000 (2021: £9,000) to Green Investment Group Limited in relation to the recharges for the services provided under the Management Services Agreement dated 18 December 2018. As at 31 March 2022, the amounts have been provided for but not invoiced. Total costs, including the amounts provided for but not invoiced, charged to the Group in the year were £35,000 (2021: £34,000).
- ix) As at 31 March 2022, the Group owed £51,000 (2021: £11,000) to CalaChem Ltd, a shareholder of Earls Gate Gridco Limited, with respect to certain services and other recharges of costs related to the maintenance of the grid infrastructure which will be used by the Project. Total costs charged to the Group in the year by CalaChem Ltd were £607,000 (2021: £21,000). The Group also charged CalaChem Ltd £454,000 (2021: £nil) in relation to other recharges and services provided to CalaChem Ltd in the year. As at 31 March 2022, the Group was owed £60,000 (2021: £nil) in relation to those charges.
- x) In the year, the Group was charged £6,000 (2021: £193,000) by Earls Gate Gridco Limited in relation to the grid connection costs related to the Project. No amounts were outstanding in relation to those recharges as at 31 March 2022 (2021: £nil).

Company

During the year, the Company provided no funding (2021: £nil) to its wholly owned subsidiary, Earls Gate Energy Centre Limited, under the terms of the Loan Note Instrument dated 18 December 2018. Interest accrued on the Loan Notes during the year was 6.74m (2021: £6.02m). The amount of £66.11m owed to the Company at 31 March 2022 (2021: £59.38) includes the balance of the funds received and the accrued interest.

As at 31 March 2022, the Company also owed £140,000 (£140,000) to its subsidiary in relation to the tax losses surrendered by Earls Gate Energy Centre Limited for the benefit of the Company.

As at 31 March 2022, the Company owed £nil (2021: £nil) to BEL1 Limited, £32.99m (2021: £29.69m) to Brockwell Energy Group Limited and 32.99m (2021: £29.69m) to Covanta Green Earls Gate Holdings Limited in relation to transactions and balances disclosed in the sub-notes i) to iii) above.

19 Parent and ultimate controlling party

The Group is 50% owned by BEL1 Limited, a wholly owned subsidiary of BEL1 Holding Limited, and 50% owned by Covanta Green Earls Gate Holdings Limited. The Group is jointly controlled by the shareholders.

The results of the Group are not consolidated by another company. 0