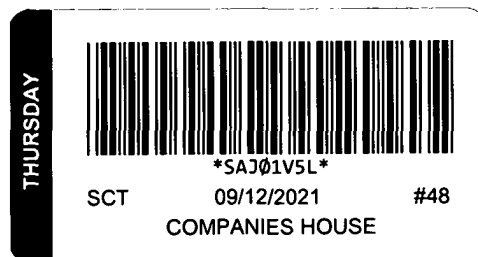


EGEC Holdings Limited

Annual Report and consolidated financial statements

Year ended 31 March 2021

Registered number: SC517944



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EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

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EGEC Holdings Limited
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Year ended 31 March 2021

Officers and professional advisers

Directors

I D Cockburn
T J Koltis
A S Lambie
M R Mulcahy
S L Ray
R H G Shaw
C B Waples
N Young

Registered office

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 Paull LLP
1 West Regent Street
Glasgow
G2 1AP

Auditor

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

EGEC Holdings Limited
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Strategic Report

The Directors present their Strategic Report and the audited financial statements for the Group for the year ended 31 March 2021.

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 (the "Group") during the year ended 31 March 2021.

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.

On 18 December 2018, the Earls Gate Energy Centre Energy from Waste Project (the "Project") reached Financial Close - the point at which all the necessary contracts and financing arrangements are successfully concluded to allow the construction to commence. Since Financial Close, the main focus of the Group has been on overseeing and supporting contractors and sub-contractors to ensure that construction works are carried out on site to the highest standard of health and safety, environmental compliance and in a manner that fully complies with planning and environmental permit conditions.

At 31 March 2021, the Group made a loss after tax for the year then ended of £53,000 (2020: £92,000) and had net assets of £6.76m (2020: £2.1m). The Company made a loss after tax of £68,000 (2020: £72,000) and had net assets of £15.75m (2020: £15.82m).

Construction activities on the Project continued during the year, with good progress made with regards to the design, piling activities, reinforcement and concrete works, steelwork erection, cladding and installation of the main Boiler, Flue Gas Treatment ("FGT") plant and the Back-up Boilers Section. Activities continued at a steady pace into the new financial year, with Boiler hydrostatic test completed in May 2021, and the Back-up Boiler Section entering the commissioning phase.

Key performance indicators

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

	As at 31 March 2021 £000	As at 31 March 2020 £000	Change %
Financial indicators			
Capital expenditure - Property, plant and equipment	137,453	100,669	37%

As at 31 March 2021, the following non-financial indicators provide the information that help measure the overall progress of the works on the Project:

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Strategic Report *(continued)*

Key performance indicators *(continued)*

	Units	Total	As at 31 March 2021	As at 31 March 2020
Non-financial indicators				
Civils & Building Works				
Piles installed	No. of	1,553	1,553	1,165
Concrete installed	m ³	9,286	7,751	3,893
Structural steel	Tonnes	1,502	397	-
Cladding	m ²	22,569	2,903	-
Process Works				
Boiler Hall steel structure erection	Kilo	819,525	572,359	130,416
Boiler erection	%	100%	68%	0%
Back-up Boilers Section rack steel structure erection	Kilo	91,165	91,165	0
FGT overall erection	%	100%	100%	0%

Principal risks and uncertainties

Details about the Group's financial risk exposure and financial risk management objectives and policies are set out in note 15.

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:

- Put in place a fixed price Engineering, Construction and Procurement ("EPC") Contract with CNIM (Earls Gate) Limited (the "EPC Contractor") at Financial Close;
- Implemented comprehensive protocols for monitoring of safety performance by Earls Gate Energy Centre Limited in its role as the Client under the Construction (Design and Management) Regulations 2015. This includes health and safety audits, regular site visits and incident reporting procedures. The EPC Contractor is responsible for the overall health and safety management on site;
- Ensured that the Project is adequately resourced with experienced personnel;
- Implemented robust review and reporting processes to measure the spend and progress of the work against the budgets; and
- Appointed an expert technical adviser specialising in the Energy from Waste ("EfW") sector as the Project Manager for the duration of the construction phase of the Project;

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:

- Appointed MES Environmental Limited as the long-term Operations and Maintenance ("O&M") Contractor for the plant;
- Put in place a long-term Energy Supply Agreement for the offtake of steam and electricity that will be generated by the plant;
- Put in place long-term Fuel Supply Agreements with reputable counterparties; and

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Longer term risks *(continued)*

- Ensured that the EPC Contract includes optional scopes of work which will allow for the design and the specification of the plant to be modified to comply with changes in the planning and environmental legislation if such changes are introduced.

EPC Contractor risk

CNIM (Earls Gate) Limited is a wholly owned subsidiary of CNIM Groupe (“CNIM”). Following the insolvency of the British civil engineering firm, Clugston Construction Limited at the end of 2019, CNIM has experienced financial difficulties and undergone a financial restructuring process in 2020 which provided CNIM group with access to additional financing and bonding lines. The revised terms of the second stage of the process, involving CNIM’s lenders, longstanding industrial partner, credit insurers and the French Government, were agreed between the parties on 30 July 2021 and were subsequently approved by the Paris Commercial Court on 13 August 2021. The Group has, as far as possible, carefully considered and monitored the financial restructuring process undertaken by CNIM and believes, based on the facts available at the date of this report, that CNIM, and therefore the EPC Contractor, have sufficient capital and credit backing to remain in business and to deliver on their contractual obligations. The Directors have carefully analysed the potential impact of a financial failure of CNIM. In the event of CNIM’s failure, the Group would have immediate access to third-party bank bonding to help mitigate any additional spend required to complete the construction of the plant. Further, Subscription and Shareholders’ Agreement between the Company, its shareholders and Earls Gate Energy Centre Limited provides a mechanism for injection of additional funding into Earls Gate Energy Centre Limited in the event when such funding is required.

COVID-19

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. Across the World, national governments have taken significant measures to contain the virus, including quarantines and school, store, plant and border closures. Consequences of the outbreak have also contributed to significant volatility in global stock markets and energy prices. The second wave of infections and emerging mutations of the virus resulted in the reintroduction of restrictions in Q4 2020. However, rapid rollout of the COVID-19 vaccines since the start of 2021 allowed the governments to begin easing of the restrictions and stimulated economic rebound.

Construction activities on the Project were stopped for two weeks in April 2020 during which time the site remained closed. Following the reopening of the site, construction works resumed and continued in compliance with the guidance on COVID-19 working arrangements issued by the Construction Leadership Council.

COVID-19 qualifies as a valid Force Majeure event under the terms of the EPC Contract. Subject to certain conditions being satisfied, it may entitle the EPC Contractor to an extension of time to complete the construction of the plant. The Group has made sufficient contingency budget provisions to absorb the costs resulting from the extension of time to the completion of the Project that has become due under the EPC Contract. Additionally, the Directors have considered the likely costs and impact from any further extension of time that could become due under the EPC Contract and believe that there is sufficient remaining contingency available in the Project budget to absorb any resulting costs. While considerable progress has been made globally to tackle the crisis caused by the pandemic, COVID-19 remains a risk that could lead to additional costs and further disruption to the construction timeline for the Project. However, as at the date of this report, major items of equipment with long lead times have been delivered to site and the Group continues to have the financial support of the shareholders and the third-party lenders. A significant worsening of the COVID-19 crisis could ultimately result in a requirement for further equity investment from the Company and its shareholders but the Directors believe that such equity investments would not be material in the context of the longer-term value that will be generated from the Project over the 25-year operational life of the plant.

Brexit

Following the United Kingdom’s (“UK”) departure from the European Union (“EU”) on 31 January 2020 (the “Brexit day”), the UK’s transition period ended on 31 December 2020 with the UK-EU Trade and Cooperation Agreement (the “Agreement”) taking effect. The Agreement contains new rules for living, working and trading between the UK

EGEC Holdings Limited
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Year ended 31 March 2021

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Brexit *(continued)*

and the EU, with core provisions including the liberalisation of tariffs and arrangements in relation to the treatment and level of access for service suppliers and investors. The Agreement also includes energy provisions which aim to support and strengthen the UK's and the EU's respective energy and climate ambitions. This includes the way in which the parties trade electricity and gas over interconnectors, work together on security of supply, integrate renewables into their respective markets and cooperate to develop opportunities in the North Sea.

Brexit has not had any significant impact on the Group and its financial position in the year ended 31 March 2021 or in the prior year. While, notwithstanding the deal between the UK and the EU, Brexit may still create economic uncertainty, the Directors have analysed potential implications of Brexit on the Group going forward and consider its exposure to be low.

On behalf of the Board:



I D Cockburn
Director
27 September 2021

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Directors' Report

The Directors present their Directors' Report and the audited financial statements for the year ended 31 March 2021.

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 2-5.

Dividends

The Directors do not recommend the payment of a dividend (2020: £nil).

Directors

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

I D Cockburn
P R A Knott (resigned 1 June 2020)
T J Koltis
A S Lambie
M R Mulcahy
S L Ray
R H G Shaw
C B Waples (appointed 1 June 2020)
N Young (appointed 28 July 2021)

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 2021, the Group had net current assets of £13.22m (2020: net current liabilities of £6.43m) and net assets of £6.76m (2020: £2.1m). The Group recorded a loss for the financial year of £53,000 (2020: £92,000) and a net increase in cash and cash equivalents of £17.76m (2020: net decrease of £7.56m). The Company had net current liabilities of £140,000 (2020: net current liabilities £72,000) and net assets of £15.75m (2020: £15.82m) at 31 March 2021 and recorded a loss for the year then ended of £68,000 (2020: £72,000). 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 a period of at least 12 months from the date of approval of the financial statements and committed the resources and credit lines to complete the construction of the plant. As at 31 March 2021, the Group has received £63.5m (2020: £63.5m) of funding from its parent company and £85.4m (2020: £30.5m) from third-party lenders. The Group has access to an additional £61.2m (2020: £116.1m) of committed funding lines from third-party lenders. This funding is expected to be sufficient to cover the remaining construction costs with a reasonable contingency allowance available in the budget for unforeseen or exceptional spend. Modelling of financial projections for the 25-year operational period of the plant indicates that the Group will generate sufficient revenues from its operations to service the debt, meet other liabilities as they fall due and generate significant value to the 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 5. 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 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

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Directors' Report *(continued)*

Going concern *(continued)*

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 is expected to be completed in Q4 2022.

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
27 September 2021.

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 EGECH Holdings Limited

Opinion

We have audited the financial statements of EGECH Holdings Limited ("the Company") for the year ended 31 March 2021 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 2021 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 EGEC 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 EGECH 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 8, 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

27 September 2021

EGEC Holdings Limited
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Year ended 31 March 2021

Consolidated income statement
for the year ended 31 March 2021

		Group	Group
		Year	Year
	Note	ended	ended
		31 March	31 March
		2021	2020
		£000	£000
Operating expenses	2	(1)	(1)
Operating loss		(1)	(1)
Finance costs	4	-	(23)
Finance income	4	19	-
Net finance income/(costs)		19	(23)
Profit/(loss) before tax		18	(24)
Taxation	5	(71)	(68)
Loss for the year		(53)	(92)

All results derive from continuing operations.

The notes on pages 18 to 42 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 2021

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 March 2021

		Group	Group
		Year	Year
		ended	ended
	Note	31 March	31 March
		2021	2020
		£000	£000
Loss for the year		(53)	(92)
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		5,765	(7,577)
Cost of hedging reserve – changes in fair value		52	(138)
Related tax	5	(1,106)	1,650
Other comprehensive income/(expense) for the year, net of tax		4,711	(6,065)
Total comprehensive income/(expense) for the year		4,658	(6,157)

The notes on pages 18 to 42 form an integral part of these financial statements.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Consolidated and Company's statements of financial position
as at 31 March 2021

		Group	Company	Group	Company
	Note	As at 31 March 2021 £000	As at 31 March 2021 £000	As at 31 March 2020 £000	As at 31 March 2020 £000
Non-current assets					
Investment in subsidiary	6	-	15,892	-	15,892
Interest in joint venture	7	-	-	-	-
Goodwill	8	-	-	-	-
Amounts owed by subsidiary undertaking	17	-	59,376	-	53,355
Property, plant and equipment	9	137,453	-	100,669	-
Deferred tax assets	5	1,968	-	3,217	-
		139,421	75,268	103,886	69,247
Current assets					
Cash and cash equivalents	10	19,458	-	1,703	-
Trade and other receivables	11	564	-	804	-
		20,022	-	2,507	-
Total assets		159,443	75,268	106,393	69,247
Current liabilities					
Trade and other payables	12	(5,039)	(140)	(8,876)	(8)
Current tax liabilities	5	-	-	(64)	(64)
Derivative financial liabilities	15	(1,764)	-	-	-
		(6,803)	(140)	(8,940)	(72)
Non-current liabilities					
Loans and borrowings	13	(138,088)	(59,376)	(78,440)	(53,355)
Derivative financial liabilities	15	(7,790)	-	(16,909)	-
		(145,878)	(59,376)	(95,349)	(53,355)
Total liabilities		(152,681)	(59,516)	(104,289)	(53,427)
Net assets		6,762	15,752	2,104	15,820
Equity					
Share capital	14	15,892	15,892	15,892	15,892
Retained losses	14	(145)	(140)	(92)	(72)
Reserves	14	(8,985)	-	(13,696)	-
Total equity		6,762	15,752	2,104	15,820

The notes on pages 18 to 42 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 27 September 2021 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 2021

Consolidated and Company's statements of changes in equity
for the year ended 31 March 2021

Group

	Share capital £000	Retained loss £000	Cash flow hedge reserve £000	Cost of hedging reserve £000	Total equity £000
Balance at 1 April 2019	15,892	-	(7,531)	(100)	8,261
Total comprehensive expense for the year					
Loss for the year	-	(92)	-	-	(92)
Total other comprehensive expense for the year	-	-	(5,956)	(109)	(6,065)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(92)	(5,956)	(109)	(6,157)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	15,892	(92)	(13,487)	(209)	2,104
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive (expense)/income for the year	-	(53)	4,669	42	4,658
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	15,892	(145)	(8,818)	(167)	6,762
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 18 to 42 form an integral part of these financial statements.

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EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Consolidated and Company's statements of changes of equity
for the year ended 31 March 2021 *(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 2019	15,892	-	-	-	15,892
Total comprehensive expense for the year					
Loss for the year	-	(72)	-	-	(72)
Total other comprehensive expense for the year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(72)	-	-	(72)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	15,892	(72)	-	-	15,820
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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/>

The notes on pages 18 to 42 form an integral part of these financial statements.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Consolidated and Company statements of cash flows
for the year ended 31 March 2021

		Group	Company	Group	Company
	Note	As at 31 March 2021 £000	As at 31 March 2021 £000	As at 31 March 2020 £000	As at 31 March 2020 £000
Cash flows from operating activities					
Loss for the year		(53)	(68)	(92)	(72)
<i>Adjustments for:</i>					
Net finance costs	4	(19)	-	23	-
Tax expense	5	71	68	68	72
		(1)	-	(1)	-
<i>Changes in:</i>					
Trade and other receivables	11	240	-	1,813	-
Trade and other payables	12	(3,829)	-	(1)	8
Cash generated from operating activities		(3,590)	-	1,811	8
Tax paid		-	-	(8)	(8)
Net cash from operating activities		(3,590)	-	1,803	-
Cash flows from investing activities					
Acquisition of property, plant and equipment	9	(30,763)	-	(55,422)	-
Loans to subsidiary		-	-	-	(17,323)
Net cash used in investing activities		(30,763)	-	(55,422)	(17,323)
Cash flows from financing activities					
Proceeds from loans and borrowings	13	53,627	-	46,055	17,323
Net cash from financing activities		53,627	-	46,055	17,323
Net increase/(decrease) in cash and cash equivalents		19,274	-	(7,564)	-
Cash and cash equivalents at the start of the year	10	1,703	-	9,290	-
Effect of movements in exchange rates on cash held		(1,519)	-	(23)	-
Cash and cash equivalent at the end of the year	10	19,458	-	1,703	-

The notes on pages 18 to 42 form an integral part of these financial statements.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

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 5.

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 2021

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 period are as listed below. None of them had any relevant effect on the Group's or the Company's financial statements.

Title	Effective Date
Amendments to References to Conceptual Framework in IFRS Standard	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020

New standards, amendments and interpretations issued by the IASB but not yet effective and not applied in these financial statements are listed below. None of them are expected to have any relevant effect on the Group's or the Company's financial statements.

Title	Effective Date
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 June 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
IFRS 17 Insurance Contracts	Not yet endorsed
Classification of liabilities as current or non-current (Amendments to IAS 1)	Not yet endorsed
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)	Not yet endorsed
Definition of Accounting Estimate (Amendments to IAS 8)	Not yet endorsed
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) 1	Not endorsed

Going concern

At 31 March 2021, the Group had net current assets of £13.22m (2020: net current liabilities of £6.43m) and net assets of £6.76m (2020: £2.1m). The Group recorded a loss for the financial year of £53,000 (2020: £92,000) and a net increase in cash and cash equivalents of £17.76m (2020: net decrease of £7.56m). The Company had net current liabilities of £140,000 (2020: net current liabilities £72,000) and net assets of £15.75m (2020: £15.82m) at 31 March 2021 and recorded a loss for the year then ended of £68,000 (2020: £72,000). The financial statements of the Group and 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 a period of at least 12 months from the date of approval of the financial statements and committed the resources and credit lines to complete the construction of the plant. As at 31 March 2021, the Group has received £63.5m (2020: £63.5m) of funding from its shareholders and £85.4m (2020: £30.5m) from third-party lenders. The Group has access to an additional £61.2m (2020: £116.1m) of committed funding lines from third-party lenders. This funding is expected to be sufficient to cover the remaining construction costs with a reasonable contingency allowance available in the budget for unforeseen or exceptional spend. Modelling of financial projections for the 25-year operational period of the plant indicates that the Group will generate sufficient revenues from its operations to service the debt, meet other liabilities as they fall due and generate significant value to the shareholders.

The principal risks facing the business include the short-, medium- and long-term risks typical for EfW projects similar in terms of size and stage of development, reliance on the EPC Contractor responsible for the construction of the CHP plant, the impact of COVID-19 and Brexit:

- 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. The longer-term risks 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

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Going concern *(continued)*

managing the impact of any changes in the planning and environmental legislation. The Directors have mitigated those risks by putting in place a fixed price EPC Contract for the construction of the plant, resourcing the Project with experienced personnel, implementing comprehensive protocols for monitoring of safety performance and measuring the spend and progress against budgets, appointing expert technical adviser as the Project Manager and a reputable O&M Contractor, putting in place long-term agreements for the supply of waste and offtake of steam and electricity, and including optional scopes of work within the EPC Contract to allow for future design and specification changes.

- The EPC Contractor is a wholly owned subsidiary of CNIM. Following the insolvency of the British civil engineering firm, Clugston Construction Limited at the end of 2019, CNIM has experienced financial difficulties and undergone a financial restructuring process in 2020 which provided CNIM group with access to additional financing and bonding lines. The revised terms of the second stage of the process, involving CNIM's lenders, longstanding industrial partner, credit insurers and the French Government, were agreed between the parties on 30 July 2021 and were subsequently approved by the Paris Commercial Court on 13 August 2021. The Group has, as far as possible, carefully considered and monitored the financial restructuring process undertaken by CNIM and believes, based on the facts available at the date of the approval of these financial statements, that CNIM, and therefore the EPC Contractor, have sufficient capital and credit backing to remain in business and to deliver on their contractual obligations. The Directors have carefully analysed the potential impact of a financial failure of CNIM. In the event of CNIM's failure, Earls Gate Energy Centre Limited would have immediate access to third-party bank bonding to help mitigate any additional spend required to complete the construction of the plant. Further, Subscription and Shareholders' Agreement between the Company, its shareholders and Earls Gate Energy Centre Limited provides a mechanism for injection of additional funding into Earls Gate Energy Centre Limited in the event when such funding is required.
- While significant progress has been made globally to tackle the crisis caused by the COVID-19 pandemic, COVID-19 remains a risk that could lead to additional costs and further disruption to the construction timeline for the Project. Construction activities on the Project were stopped for two weeks in April 2020 during which time the site remained closed. Following the reopening of the site, construction works resumed and continued in compliance with the guidance on COVID-19 working arrangements issued by the Construction Leadership Council. COVID-19 qualifies as a valid Force Majeure event under the terms of the EPC Contract. Subject to certain conditions being satisfied, it may entitle the EPC Contractor to an extension of time to complete the construction of the plant. The Group has made sufficient contingency budget provisions to absorb the costs resulting from the extension of time to the completion of the Project that has become due under the EPC Contract. Additionally, the Directors have considered the likely costs and impact from any further extension of time that could become due under the EPC Contract and believe that there is sufficient remaining contingency available in the Project budget to absorb any resulting costs. The Group continues to have the financial support of its shareholders and the third-party lenders. While a significant worsening of the COVID-19 crisis could ultimately result in a requirement for further equity investment from the Company's shareholders, the Directors believe that any such additional equity investments would not be material in the context of the longer-term value that will be generated from the Project over the 25-year operational life of the plant.
- Following the UK's departure from the EU on 31 January 2020, the UK's transition period ended on 31 December 2020 with the UK-EU Trade and Cooperation Agreement taking effect. The Agreement contains new rules for living, working and trading between the UK and the EU, with core provisions including the liberalisation of tariffs and arrangements in relation to the treatment and level of access for service suppliers and investors. The Agreement also includes energy provisions which aim to support and strengthen the UK's and the EU's respective energy and climate ambitions. This includes the way in which the parties trade electricity and gas over interconnectors, work together on security of supply, integrate renewables into their respective markets and cooperate to develop opportunities in the North Sea. Brexit has not had any significant impact on the Group and its financial position in the year ended 31 March 2021 or in the prior year. While, notwithstanding the deal between the UK and the EU, Brexit may still create economic uncertainty, the Directors have analysed potential implications of Brexit on the Group going forward and consider its exposure to be low.

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

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Going concern *(continued)*

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.

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.

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 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.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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.

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 and net foreign exchange gains. Finance costs include interest expense recognised in the income statement, hedge ineffectiveness and net foreign exchange losses recognised in the income statement. Interest income or expense is recognised using the effective interest method.

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Finance income and finance costs *(continued)*

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. 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.

Notes to the financial statements *(continued)*

1 **Accounting policies** *(continued)*

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

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
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Notes to the financial statements *(continued)*

2 Expenses and auditor's remuneration

	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2021	2020
	£000	£000
<i>Included in the profit or loss are the following:</i>		
Other expenses	1	1
	<hr/>	<hr/>
	1	1
	<hr/>	<hr/>
	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2021	2020
	£000	£000
Fees payable to the Group's auditor for the audit of the financial statements	28	25
	<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 costs

	Group	Group
	Year	Year
	ended	ended
	31 March	31 March
	2021	2020
	£000	£000
Foreign currency exchange translation gains/(losses)	19	(23)
	<hr/>	<hr/>
	19	(23)
	<hr/>	<hr/>

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Notes to the financial statements *(continued)*

5 Taxation

Amounts recognised in profit or loss	Group	Group
	Year ended	Year ended
	31 March	31 March
	2021	2020
	£000	£000
Current tax:		
Current tax on loss for the year	-	(64)
Adjustment in respect of previous periods	72	(8)
Total current tax credit/(expense)	72	(72)
Deferred tax:		
Current year	(71)	4
Adjustment in respect of previous periods	(72)	-
Total deferred tax (expense)/credit	(143)	4
Total tax expense	(71)	(68)

Current tax adjustment in respect of previous periods relates to unused tax losses surrendered by Earls Gate Energy Centre Limited for the benefit of the Company. Deferred tax expense arises in Earls Gate Energy Centre Limited.

Amounts recognised in other comprehensive income	Group	Group
	Year ended	Year ended
	31 March	31 March
	2021	2020
	£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	(1,096)	1,621
Cost of hedging reserve – deferred tax on net change in fair value	(10)	29
Total tax (expense)/credit	(1,106)	1,650

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Notes to the financial statements (continued)

5 Taxation (continued)

Reconciliation of effective tax rate	Group Year ended 31 March 2021 £000	Group Year ended 31 March 2020 £000
Profit/(loss) for the year	18	(24)
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	3	(5)
<i>Effects of:</i>		
Expenses not deductible	68	65
Adjustment in respect of previous periods	-	8
Total tax expense	71	68

March 2021 Budget announced an increase to the main rate of corporation tax from 19% to 25% from April 2023. This rate had not been substantively enacted at the balance sheet date. As a result, deferred tax balances as at 31 March 2021 were measured at 19%. The revised rate was substantively enacted on 24 May 2021 and will therefore first be required to be considered by the Group in the financial year ending 31 March 2022.

Deferred taxation (Group)

Deferred tax assets and liabilities are attributable to the following:

	Asset		Liability		Net	
	As at 31 March 2021 £000	As at 31 March 2020 £000	As at 31 March 2021 £000	As at 31 March 2020 £000	As at 31 March 2021 £000	As at 31 March 2020 £000
Property, plant and equipment	-	-	(2,789)	(1,078)	(2,789)	(1,078)
Temporary differences	4	4	-	-	4	4
Derivative financial instruments	2,107	3,213	-	-	2,107	3,213
Losses	872	560	-	-	872	560
Corporate interest restriction	1,774	518	-	-	1,774	518
Net tax assets/(liabilities)	4,757	4,295	(2,789)	(1,078)	1,968	3,217

EGEC Holdings Limited
Annual Report and consolidated financial statements
Year ended 31 March 2021

Notes to the financial statements *(continued)*

5 **Taxation** *(continued)*

Deferred taxation (Group) *(continued)*

Movement in deferred tax during the 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>

Movement in deferred tax during the prior year:

	At 1 April 2019 £000	Recognised in profit or loss £000	Recognised in other comprehensive income £000	At 31 March 2020 £000
Property, plant and equipment	(111)	(967)	-	(1,078)
Temporary differences	111	(107)	-	4
Derivative financial instruments	1,563	-	1,650	3,213
Losses	-	560	-	560
Corporate interest restriction	-	518	-	518
	<u>1,563</u>	<u>4</u>	<u>1,650</u>	<u>3,217</u>

As at 31 March 2021, 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.

6 **Investment in subsidiary**

As at 31 March 2021, 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 cost of £15.89m (2020: £15.89m). In the opinion of the Directors, the recoverable amount of the investment as at 31 March 2021 is at least equal to its carrying amount.

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Notes to the financial statements *(continued)*

6 Investment in subsidiary *(continued)*

	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/>
	Company
	Total
	£000
<i>Cost</i>	
At 1 April 2019	16,209
Additions	-
	<hr/>
At 31 March 2020	16,209
	<hr/> <hr/>
<i>Allowance for impairment</i>	
At 1 April 2019	(317)
Impairment loss recognised in the year	-
Reversal of impairment losses previously recognised	-
Disposals	-
	<hr/>
At 31 March 2020	(317)
	<hr/> <hr/>
<i>Net book value</i>	
At 31 March 2020	15,892
	<hr/> <hr/>
At 31 March 2019	15,892
	<hr/> <hr/>

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Notes to the financial statements *(continued)*

7 Interest in joint venture

As at 31 March 2021, 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 (2020: £1). In the opinion of the Directors, the recoverable amount of the investment as at 31 March 2021 is at least equal to its carrying amount.

8 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 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	-
	<hr/>

EGEC Holdings Limited
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Notes to the financial statements *(continued)*

8 Goodwill *(continued)*

	Group Total £000
<i>Cost</i>	
At 1 April 2019	317
Additions	-
	<hr/>
At 31 March 2020	317
	<hr/>
<i>Allowance for impairment</i>	
At 1 April 2019	(317)
Impairment loss recognised in the year	-
Reversal of impairment losses previously recognised	-
Disposals	-
	<hr/>
At 31 March 2020	(317)
	<hr/>
<i>Net book value</i>	
At 31 March 2020	-
	<hr/>
At 31 March 2019	-

9 Property, plant and equipment

	Group Assets under construction £000	Group 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/>

EGEC Holdings Limited
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Notes to the financial statements *(continued)*

9 Property, plant and equipment *(continued)*

	Group	Group
	Assets under construction £000	Total £000
<i>Cost</i>		
At 1 April 2019	40,132	40,132
Additions	60,537	60,537
	<hr/>	<hr/>
At 31 March 2020	100,669	100,669
	<hr/>	<hr/>
<i>Depreciation</i>		
At 1 April 2019	-	-
Charge for the period	-	-
	<hr/>	<hr/>
At 31 March 2020	-	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March 2020	100,669	100,669
	<hr/>	<hr/>
At 31 March 2019	40,132	40,132
	<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 2021 includes £14.86m (2020: £6.07m) 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.

10 Cash and cash equivalents

	Group	Company	Group	Company
	As at 31 March 2021 £000	As at 31 March 2021 £000	As at 31 March 2020 £000	As at 31 March 2020 £000
Cash at bank and in hand	19,458	-	1,703	-
	<hr/>	<hr/>	<hr/>	<hr/>

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Notes to the financial statements *(continued)*

11 Trade and other receivables

	Group	Company	Group	Company
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2021	2021	2020	2020
	£000	£000	£000	£000
Deposits	264	-	370	-
Trade receivables	78	-	-	-
Other taxes and social security	43	-	415	-
Other receivables	177	-	19	-
Amounts due from related parties	2	-	-	-
	<u>564</u>	<u>-</u>	<u>804</u>	<u>-</u>

12 Trade and other payables

	Group	Company	Group	Company
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2021	2021	2020	2020
	£000	£000	£000	£000
Trade payables	136	-	245	-
Other payables and deferred income	178	-	-	-
Amounts owed to group undertakings	-	140	-	-
Amounts owed to related parties	62	-	36	8
Accruals	4,663	-	8,595	-
	<u>5,039</u>	<u>140</u>	<u>8,876</u>	<u>8</u>

13 Loans and borrowings

	Group	Company	Group	Company
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2021	2021	2020	2020
	£000	£000	£000	£000
Amounts owed to related parties	59,376	59,376	53,355	53,355
Senior debt	78,712	-	25,085	-
	<u>138,088</u>	<u>59,376</u>	<u>78,440</u>	<u>53,355</u>

Amounts owed to related parties are represented by the loan notes issued by EGE Holdings Limited. Under the terms of the Loan Note Instrument issued at Financial Close, 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 (2020: £47.54m) in relation to the cash received and £11.83m (2020: £5.81m) of accrued interest, out of which £11.83m (2020: £5.79m) has been

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Notes to the financial statements *(continued)*

13 Loans and borrowings *(continued)*

capitalised into the value of the loan note principal in accordance with the terms of the instrument. The loan notes have a final repayment date of November 2046.

Senior debt liability is represented by £85.42m of cash received by Earls Gate Energy Centre Limited under the Term Loan Facility entered into at Financial Close with third-party 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 £6.71m (2020: £5.44m) of financing fees paid in relation to the facility and the interest accrued under the effective interest method.

14 Capital and reserves

Share capital

	Company	Company
	As at	As at
	31 March	31 March
	2021	2020
	£	£
<i>Allotted, called up and fully paid</i>		
15,891,756 (2020: 15,891,756) ordinary shares of £1 each	15,891,756	15,891,756
	<hr/>	<hr/>

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.

15 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.

The sensitivity analysis below describes possible movements in forward 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 2021			
Increase of 10% - EUR/GBP forward rate	2,237	-	2,237
Decrease of 10% - EUR/GBP forward rate	(2,236)	-	(2,236)
	<hr/>	<hr/>	<hr/>

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Notes to the financial statements *(continued)*

15 Financial instruments *(continued)*

Financial risk management *(continued)*

Market risk *(continued)*

Foreign exchange risk (continued)

	Effect on fair value of financial instruments £000	Effect on profit before tax £000	Effect on equity £000
31 March 2020			
Increase of 10% - EUR/GBP forward rate	5,666	-	5,666
Decrease of 10% - EUR/GBP forward rate	(5,657)	-	(5,657)
	<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 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 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>
	Effect on fair value of financial instruments £000	Effect on profit before tax £000	Effect on equity £000
31 March 2020			
Increase of 25 basis points	3,885	-	3,885
Decrease of 25 basis points	(4,017)	-	(4,017)
	<u> </u>	<u> </u>	<u> </u>

EGEC Holdings Limited
Annual Report and consolidated financial statements
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Notes to the financial statements *(continued)*

15 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 third-party lenders to secure the total funding required to cover the expected construction costs and contingencies, such that the Project is fully funded. To manage the liquidity risk, lenders were required to meet an acceptable credit rating threshold and the equity contributions from the shareholders were required to be provided in accordance with a fixed schedule

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 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)	-	-	-
Amounts owed to Group undertakings	(59,376)	(165,222)	-	(32,794)	(36,590)	(95,838)
Senior debt	(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
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Year ended 31 March 2021

Notes to the financial statements *(continued)*

15 Financial instruments *(continued)*

Financial risk management *(continued)*

Liquidity risk *(continued)*

Company

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	(140)	(140)	(140)	-	-	-
Amounts owed to related parties	(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>

Group

At 31 March 2020	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	(8,876)	(8,876)	(8,876)	-	-	-
Amounts owed to Group undertakings	(53,355)	(165,221)	-	(25,588)	(36,624)	(103,009)
Senior debt	(25,085)	(41,298)	(996)	(7,777)	(12,593)	(19,932)
	<u>(87,316)</u>	<u>(215,395)</u>	<u>(9,872)</u>	<u>(33,365)</u>	<u>(49,217)</u>	<u>(122,941)</u>
Derivative financial liabilities						
Interest rate swaps used for hedging	(15,290)	(17,878)	(1,274)	(7,091)	(5,932)	(3,581)
Forward exchange contracts used for hedging	(1,619)	(1,641)	(1,086)	(555)	-	-
	<u>(16,909)</u>	<u>(19,519)</u>	<u>(2,360)</u>	<u>(7,646)</u>	<u>(5,932)</u>	<u>(3,581)</u>
Total financial liabilities	<u>(104,225)</u>	<u>(234,914)</u>	<u>(12,232)</u>	<u>(41,011)</u>	<u>(55,149)</u>	<u>(126,522)</u>

EGEC Holdings Limited
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Notes to the financial statements *(continued)*

15 Financial instruments *(continued)*

Financial risk management *(continued)*

Liquidity risk *(continued)*

Company

At 31 March 2020	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	(8)	(8)	(8)	-	-	-
Amounts owed to related parties	(53,355)	(165,221)	-	(25,588)	(36,624)	(103,009)
	<u>(53,363)</u>	<u>(165,229)</u>	<u>(8)</u>	<u>(25,588)</u>	<u>(36,624)</u>	<u>(103,009)</u>
Total financial liabilities	<u>(53,363)</u>	<u>(165,229)</u>	<u>(8)</u>	<u>(25,588)</u>	<u>(36,624)</u>	<u>(103,009)</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 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>

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Notes to the financial statements *(continued)*

15 Financial instruments *(continued)*

Fair values *(continued)*

	Group As at 31 March 2020		Company As at 31 March 2020	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets				
Amounts owed by subsidiary undertaking	-	-	53,355	53,355
Trade and other receivables	804	804	-	-
Cash and cash equivalents	1,703	1,703	-	-
	<u>2,507</u>	<u>2,507</u>	<u>53,355</u>	<u>53,355</u>
Financial liabilities				
Trade and other payables	(8,876)	(8,876)	(8)	(8)
Derivative financial liabilities	(16,909)	(16,909)	-	-
Loans and borrowings	(78,440)	(78,440)	(53,355)	(53,355)
	<u>(104,225)</u>	<u>(104,225)</u>	<u>(53,363)</u>	<u>(53,363)</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.

16 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.

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Notes to the financial statements (continued)

16 Commitments (continued)

Capital commitments

	Group	Company	Group	Company
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2021	2021	2020	2020
	£000	£000	£000	£000
Construction costs - contracted but not provided for	64,907	-	89,581	-
	64,907	-	89,581	-

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 £269,000 (inc. VAT) for the period from 1 April 2021 to 30 September 2021. 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.

COVID-19 remains a risk which may lead to additional costs being incurred by the Group. As at 31 March 2021, the amounts which may be required to fund these possible costs cannot be reliably estimated but the Directors do not expect them to exceed the contingency available in the Project budget.

17 Related parties

Group

Transactions in the year ended 31 March 2021						
	Personnel	Other	Interest	Costs	Amounts	
	cost charges	charges	charges	recovered	outstanding	
					at 31 March	
	Note	£000	£000	£000	2021	
		£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	-	-	-
		1,241	245	6,021	(8)	59,436

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Notes to the financial statements (continued)

17 Related parties (continued)

Group (continued)

		Transactions in the year ended 31 March 2020				
		Personnel cost charges	Other charges	Interest charges	Costs recovered	Amounts outstanding at 31 March 2020
	Note	£000	£000	£000	£000	£000
BEL1 Limited	(i)	-	-	2,557	-	26,677
Covanta Green Earls Gate Holdings Limited	(ii)	-	-	2,558	-	26,678
Brockwell Energy Limited	(iii)	-	41	-	-	36
Brockwell Energy Services Limited	(iv)	843	-	-	-	-
Covanta Energy Limited	(v)	196	-	-	(8)	-
Covanta Projects LLC	(vi)	126	-	-	-	-
Green Investment Group Limited	(vii)	44	-	-	-	9
		<u>1,209</u>	<u>41</u>	<u>5,115</u>	<u>(8)</u>	<u>53,400</u>

- i) During the year, the Group received no funding (2020: £8.66m) 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. Interest accrued on the loan notes during the year up to the date of the transfer was £2.72m (2020: £2.56m). Following the transfer, no amounts were outstanding with BEL1 Limited at 31 March 2021 in relation to the loan notes (2020: £26.68m).
- ii) As at 31 March 2021, the Group owed £29.69m (2020: £nil) 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 from the date of the transfer to 31 March 2021 was £294,000 (2020: £nil).
- iii) During the year, the Group received no funding (2020: £8.66m) 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 £3.01m (2020: £2.56m). The amount of £29.69m outstanding at 31 March 2021 (2020: £26.68m) includes the balance of the funds received and the accrued interest.
- iv) During the year, the Group has been charged £31,000 (2020: £32,000) by Brockwell Energy Limited in relation to certain costs related to the development and construction of the Project. The amount outstanding in relation to these recharges at 31 March 2021 was £8,000 (2020: £36,000).
- v) During the year, the Group has been charged £850,000 (2020: £843,000) by Brockwell Energy Services Limited for the services provided under the Principal Management Services Agreement dated 18 December 2018. As at 31 March 2021, there were no amounts outstanding in relation to those recharges (2020: £nil).
- vi) During the year, the Group has been charged £251,000 (2020: £196,000) 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 2021, there were £25,000 outstanding, in relation to, those recharges (2020: £nil). During the year, the Group also charged Covanta Energy Limited £8,000 (2020: £8,000) with respect to certain shared consultancy costs. As at 31 March 2021, there was £2,000 outstanding in relation to those recharges (2020: £nil).
- vii) During the year, the Group has been charged £106,000 (2020: £126,000) 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 2021, there was £9,000 outstanding in relation to those recharges (2020: £nil).
- viii) As at 31 March 2021, the Group owed £9,000 (2020: £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 2021, 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 £34,000 (£44,000).

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Notes to the financial statements *(continued)*

17 Related parties *(continued)*

Group *(continued)*

- ix) As at 31 March 2021, the Group owed £11,000 (2020: £nil) to CalaChem Ltd, a shareholder of Earls Gate Gridco Limited, with respect to the recharges of costs related to the maintenance of the grid infrastructure which will be used by the Project. 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 £21,000 (£nil).
- x) In the year, the Group was charged £193,000 (2020: £nil) 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 2021 (2020: £nil).

Company

During the year, the Company provided no funding (2020: £17.32m) 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 £6.03m (2020: £5.12m). The amount of £59.41m outstanding at 31 March 2021 (2020: £53.36m) includes the balance of the funds received and the accrued interest. As at 31 March 2021, the Company also owed £140,000 (£nil) 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 2021, the Company owed £nil (2020: £8,000) to Brockwell Energy Limited in relation to certain costs paid by Brockwell Energy Limited on behalf of the Company.

As at 31 March 2021, the Company owed £nil (2020: £26.68m) to BEL1 Limited, £29.69m (2020: £nil) to Brockwell Energy Group Limited and £29.69m (2020: £26.68m) to Covanta Green Earls Gate Holdings Limited in relation to transactions and balances disclosed in the sub-notes i) to iii) above.

18 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. Ó