

Power & Energy International Limited

Strategic Report

for the period ended 31 December 2020 (continued)

Foreign exchange risk

The Company monitors its exposure to foreign currencies on a continuous basis. Management reports such exposures to the wider group's treasury function on a periodic basis and utilises its access to the parent company's finance facility to actively mitigate exposures that might otherwise result from maintaining significant non-functional currency positions. It is the company's policy that no speculative trading in financial instruments is undertaken. Current policy is not to enter into forward exchange contracts as foreign exchange exposure is managed by the parent company's treasury function.

Some of the company's sales are in currencies other than Sterling, hence it is exposed to the movement in exchange rates. The company also sources some materials in currencies other than Sterling and thus has exposure to forex movements. The company minimises the risk of exchange rate fluctuations by operating foreign currency bank accounts where necessary.

Cash flow and liquidity risk

The cash flow volatility that may arise from the company's dependence on trade with parties outside the Celeros Group is substantially mitigated by its access to the Celeros Flow Technology, LLC. finance facility which may be drawn upon, when needed to support its working capital and other financial requirements.

Credit risk

The company's principal financial assets are bank balances and trade receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Although the Company does not obtain collateral or other security to mitigate credit loss exposure, management actively monitors the extension of credit and credit standing of its customers. It is Company policy to assess the credit risk of new customer before entering contracts. The directors liaise with the wider group's supply chain, commercial and treasury functions when circumstances require to mitigate exposures to such risks.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Streamlined Energy and Carbon Reporting

In line with current Streamlined Energy and Carbon Reporting requirements (SECR), the total emissions for the Company in the period ended 31 December 2020 was 4,178,291 kWh based on invoices and contracted mileage over a fixed term, and 801,046 kgCO₂e based on The Carbon Trust Carbon Footprint Calculator. This is a ratio of 15,029 kWh and 2,906 kgCO₂e per head based on a UK headcount of 278 as at the end of 2020. The directors are committed to reducing the Company's environmental footprint by proactively identifying and implementing environmental sustainability initiatives across our operations.

Several energy efficiency projects have already been completed in 2021 including installation of LED lighting at a number of sites, and clearly marked 'green' and 'other' waste bins, allowing for maximum recycling.