

Registered number: 05104786

SIMEC Uskmouth Power Limited

Directors' report and financial statements

For the year ended 31 December 2021

Company Information

Graham Matthew Reid (appointed 18 January 2021)
Simon Matthew Hirst (appointed 27 July 2022)
David Gerard Taaffe (appointed 27 July 2022)

05104786

Uskmouth Power Station
West Nash Road
Nash
Newport
NP18 2BZ

Kreston Reeves LLP
Chartered Accountants & Statutory Auditor
37 St Margaret's Street
Canterbury
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SIMEC Uskmouth Power Limited

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Directors' report
For the year ended 31 December 2021

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

Directors

The directors who served during the year were:

Andrew Luke Dagley (resigned 27 July 2022)
Graham Matthew Reid (appointed 18 January 2021)
Timothy James Cornelius (resigned 18 January 2021)

Disclosure of information to auditor

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

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

Auditor

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

Graham Matthew Reid
Director

Date: 29 September 2022

**Directors' responsibilities statement
For the year ended 31 December 2021**

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

Independent auditor's report to the members of SIMEC Uskmouth Power Limited

Disclaimer of opinion

We were engaged to audit the financial statements of SIMEC Uskmouth Power Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

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The Directors have prepared the Company's financial statements for the year ended 31 December 2021 on a going concern basis in accordance with the assumptions as disclosed in note 2.3. These financial statements show that, as at 31 December 2021 and for the year ended on that date, the Company incurred a net loss after tax of £24,013k, and the Company had cash balances totalling £83k.

The Directors of the Company have identified a material uncertainty in relation to the availability of ongoing financial support from the ultimate holding company, SIMEC Atlantis Energy Limited ('the Parent') that may cast significant doubt upon the Company's ability to continue as a going concern.

The financial position of the Company is intrinsically linked to the Parent, and the Company is reliant on the Parent for continued financial support. The audit opinion on the Parent financial statements was disclaimed as a result of the interaction of the material uncertainties set out below, and the possible cumulative effect on the appropriateness of the going concern assumption used in the preparation of the Parent company financial statements.

The directors of the Parent identified three material uncertainties that may cast significant doubt upon the Parent's ability to continue as a going concern. In summary, these are:

1. Financial close of the Battery Energy Storage Solution ('BESS') project
2. Refinancing of the Abundance bonds due for repayment in 2023
3. Timing of the repayment of EU grant funding

The full details of these uncertainties can be viewed in the Annual Report of SIMEC Atlantis Energy Limited (which can be found at www.simecatlantis.com).

The validity of the going concern basis on which the financial statements of the Parent and the Company are prepared is dependent on certain assumptions and the successful outcome of the group's actions. The assumptions are premised on future events, the outcome of which is inherently uncertain.

We were unable to obtain sufficient appropriate audit evidence regarding the ability of the Company to pay their debts as and when they fall due. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements is appropriate.

Independent auditor's report to the members of SIMEC Uskmouth Power Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006 Page 3

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report. Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditor's report to the members of SIMEC Uskmouth Power Limited (continued)

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and the industry it operates in, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and taxation legislation.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate profits, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations (including health and safety) and fraud, and review of the reports made by management; and
- Assessment of identified fraud risk factors; and
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud; and
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax authorities; and
- Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions; and
- Identifying and testing journal entries, in particular any manual entries made at the year end for financial statement preparation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Independent auditor's report to the members of SIMEC Uskmouth Power Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Attwood FCCA (Senior statutory auditor)

for and on behalf of

Kreston Reeves LLP

Chartered Accountants

Statutory Auditor

Canterbury

29 September 2022

Statement of comprehensive income
For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Administrative expenses		(24,032)	(9,231)
Other operating income	4	96	668
Operating loss	5	(23,936)	(8,563)
Interest payable and similar expenses	8	(82)	(171)
Loss before tax		(24,018)	(8,734)
Tax on loss	9	5	-
Loss for the financial year		(24,013)	(8,734)
Other comprehensive income:			
Unrealised (deficit)/surplus on revaluation of property, plant and equipment	10	(19,044)	-
Decommissioning provision remeasurement	17	1,296	120
		(17,748)	120
Total comprehensive income for the year		(41,761)	(8,614)

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There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 10 to 28 form part of these financial statements.

Statement of financial position
As at 31 December 2021

	Note	2021 £000	As restated 2020 £000
Non-current assets			
Property, plant and equipment	10	32,023	70,013
Current assets			
Inventories	11	-	861
Trade and other receivables	12	290	406
Cash at bank and in hand	13	83	131
		373	1,398
Current liabilities			
Trade and other payables	14	(30,959)	(27,061)
Net current liabilities		(30,586)	(25,663)
Total assets less current liabilities		1,437	44,350
Non-current liabilities			
Other payables	15	(1,468)	(1,469)
Provisions	17	(11,825)	(13,031)
Net (liabilities)/assets		(11,856)	29,850
Capital and reserves			
Called up share capital	18	23,866	23,866
Revaluation reserve	19	-	17,748
Other reserves	19	67	16
Retained earnings	19	(35,789)	(11,780)
Total equity		(11,856)	29,850

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Graham Matthew Reid
Director

Date: 29 September 2022

The notes on pages 10 to 28 form part of these financial statements.

SIMEC Uskmouth Power Limited**Statement of changes in equity
For the year ended 31 December 2021**

	Called up share capital £000	Revaluation reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2020	23,866	17,628	9	(3,046)	38,457
Loss for the year	-	-	-	(8,734)	(8,734)
Decommissioning provision remeasurement	-	120	-	-	120
Capital contribution from parent company	-	-	7	-	7
At 1 January 2021	23,866	17,748	16	(11,780)	29,850
Loss for the year	-	-	-	(24,013)	(24,013)
Deficit on revaluation of freehold property	-	(2,014)	-	-	(2,014)
Deficit on revaluation of plant and machinery	-	(17,030)	-	-	(17,030)
Decommissioning provision remeasurement	-	1,296	-	-	1,296
Transfer to/from retained earnings	-	-	(4)	4	-
Capital contribution from parent company	-	-	55	-	55
At 31 December 2021	23,866	-	67	(35,789)	(11,856)

The notes on pages 10 to 28 form part of these financial statements.

SIMEC Uskmouth Power Limited**Notes to the financial statements
For the year ended 31 December 2021****1. General information**

SIMEC Uskmouth Power Limited ("the company") is a private company limited by shares and is incorporated in England with the registration number 05104786. The address of the registered office is Uskmouth Power Station, West Nash Road, Newport, NP18 2BZ. The principal activity of the Company in the period under review was the development of plans for alternative use of the power station and the

2. Accounting policies

2.1 Basis of preparation of financial statements

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

These financial statements are rounded to the nearest thousand pounds, unless stated otherwise.

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

The following principal accounting policies have been applied: Page 9

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of SIMEC Atlantis Energy Limited as at 31 December 2021 and these financial statements may be obtained from www.simecatlantis.com.

SIMEC Uskmouth Power Limited

Notes to the financial statements For the year ended 31 December 2021

2. Accounting policies (continued)

2.3 Going concern

These financial statements have been prepared on the going concern basis. The directors are required to state whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties as to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. The period of management's going concern assessment is the period to 30 September 2023.

The Company is in a net liability position of £11.86 million as at the financial year end and the Company requires parental financial support from SIMEC Atlantis Energy Limited (the "Parent"). The Parent has provided a letter of support confirming it will provide support for the period to 31 December 2023 where required.

The Directors of the Company have considered the ability of the parent to provide financial support, through directly reviewing the going concern assessment of the parent. The Directors have identified a material uncertainty in relation to the availability of ongoing financial support from the parent company that may cast significant doubt upon the Company's ability to continue as a going concern.

Going concern assessment - parent

The Parent company financial statements for the year ended 31 December 2021 were approved by its directors on 28 June 2022 having adopted the going concern basis of preparation. After reviewing the current liquidity position, financial forecasts and stress testing of risks and based on current funding facilities and considerations noted above the Board of Directors of the parent have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. As a result, the Parent continues to adopt the going concern basis of accounting in preparing the Group financial statements.

The directors of the Parent company identified three material uncertainties that may cast significant doubt upon the Parent's ability to continue as a going concern. In summary, these are:

- Refinancing of the Abundance bonds due for repayment in 2023
- Timing of the repayment of EU grant funding
- Financial close of the Battery Energy Storage Solution ('BESS') project

Please refer to the full Annual Report of SIMEC Atlantis Energy Limited (which can be found at www.simecatlantis.com) for details of the material uncertainties identified.

Material uncertainty in relation to going concern of the Company

Taking the above going concern assessment of the Parent into consideration, the Directors of the Company have identified a material uncertainty in relation to the availability of ongoing financial support from the parent company that may cast significant doubt upon the Company's ability to continue as a going concern.

Despite the material uncertainty, on the basis of the Parent's going concern assessment, stress testing and consideration of the mitigations available (some of which are not within the control of management), the Board of Directors of the Company have a reasonable expectation that the parent has sufficient resources to provide ongoing financial support for the foreseeable future. As a result, the Board of Directors of the Company will continue to adopt the going concern basis of accounting in preparing the company financial statements.

The Company financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

SIMEC Uskmouth Power Limited

Notes to the financial statements For the year ended 31 December 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

SIMEC Uskmouth Power Limited

Notes to the financial statements For the year ended 31 December 2021

2. Accounting policies (continued)

2.5 Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.14.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

2.6 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are presented as a deduction from the carrying amount of the related assets and recognised as income over the useful lives of the assets by way of a reduced depreciation or amortisation charge.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Share based payments

The ultimate parent company, SIMEC Atlantis Energy Limited, issues equity-settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase is recognised in equity as a capital contribution from SIMEC Atlantis Energy Limited.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.11 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.12 Property, plant and equipment

Property, plant and equipment assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- 10 - 50 years
Plant and machinery	- 15 - 25 years
Motor vehicles	- 4 years
Fixtures and fittings	- 10 years
Other fixed assets	-

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Revaluation of property, plant and equipment

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.16 Cash and cash equivalents

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

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.18 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2. Accounting policies (continued)

2.19 Convertible debt

The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components and presented separately in the Statement of financial position.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

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

In the application of the Company's accounting policies, the directors 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.

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Valuation of land and buildings, and plant and machinery

The fair value of land and buildings and plant and machinery is based upon valuations by management. The fair value is estimated based upon the highest and best use from a market participant's perspective and consider the potential uses that are physically possible, legally permissible and financially feasible. Ascertaining the fair values of the Company's land and buildings, and plant and machinery, is inherently subjective due to, among other factors, the individual nature and condition of the buildings and power plant and their location. As a result, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility.

Recoverability of property, plant and equipment and investment in subsidiaries

The Company tests its property, plant and equipment annually for impairment, or more frequently if there are indicators that it might be impaired. The recoverable amounts for the Company's property, plant and equipment are supported by the estimated value-in-use of these assets. The value-in-use is calculated using a net present value cash flow model which compares the costs of completing the projects, including financing costs, with expected revenues, net of operating and maintenance expenditure, over its operating life.

On 28 April 2022, the Company announced that it would no longer pursue the project to convert Uskmouth Power Station from coal to use a waste-derived fuel pellet and that it would withdraw the associated permit variation application. The Company will instead develop the Uskmouth site into a sustainable energy park, that will include as a first step the delivery of a Battery Energy Storage Project (BESS). As a result, a full review has been carried out of the expected value in use of the Uskmouth site. The value-in-use calculations are now based on the planned transition of the Uskmouth site into a sustainable energy park, which will include revenues from at least 350MW of BESS projects along with additional leases and wayleaves to allow third party grid connections. The key assumptions used to determine the Uskmouth project's value-in-use are, as applicable depending on the business model adopted, the upfront fees, expected capital costs to develop the project, the financing structure and cost, forecast operating and maintenance costs, revenue per MWh and the discount rate to calculate present values. The model is based on probability and risk weighted sensitised cash flows using discount rates ranging from 5% to 8%.

The recoverable amounts were determined to be less than the carrying values of both the property and plant and equipment, and accordingly an impairment loss has been recognised (see note 10)

SIMEC Uskmouth Power Limited

Notes to the financial statements For the year ended 31 December 2021

3. Judgements in applying accounting policies (continued)

Useful life of assets

Management reviews the useful lives of depreciable assets at each reporting date, based on expected utility of the assets. Uncertainties in these estimates relate to the period that the Company intends to derive future economic benefits from the use of these assets.

Provision for decommissioning costs

The estimate of the costs to decommission the property, plant and equipment of the Uskmouth Power Station at a future date is inherently judgemental. The estimated cost of decommissioning is reviewed periodically. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date. The estimate is based on the forecast remediation or clean-up costs at the projected date of decommissioning, which itself is uncertain, and are discounted for the true value of money.

The SUP power station decommissioning provision is the present value of the best estimate of direct costs that may be incurred to restore the site of the SUP power station to a condition that complies with applicable legislation, which is anticipated to take place in approximately 2042. The provision was recognised on acquisition of SUP in 2018 and conversion of the financial statements to IFRS.

Critical judgements in applying the Company's accounting policies

The directors are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

4. Other operating income

	2021 £000	2020 £000
Other operating income	195	215
Service charge receivable	(132)	453
Government grants receivable	33	-
	<u>96</u>	<u>668</u>

5. Operating loss

The operating loss is stated after charging:

	2021 £000	2020 £000
Depreciation of property, plant and equipment	5,876	5,877
Revaluation of property, plant and equipment (note 10)	14,608	-
Share based payments	55	8
Defined contribution pension cost	12	14
Write-down inventories to net realisable value (note 11)	<u>861</u>	<u>-</u>

SIMEC Uskmouth Power Limited

**Notes to the financial statements
For the year ended 31 December 2021**

6. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>20</u>	<u>8</u>

7. Employees

	2021 £000	2020 £000
Wages and salaries	708	911
Social security costs	74	108
Cost of defined contribution scheme	12	14
	<u>794</u>	<u>1,033</u>

Included in wages and salaries are share-based payment expenses of £55k (2020 - £8k) in respect of an equity-settled scheme operated by SIMEC Atlantis Energy Limited, the parent undertaking, for certain employees.

During 2021, the Company received £70k (2020 - £381k) under the UK Government COVID-19 furlough scheme.

The Directors are employees of other subsidiaries within the Group and no consideration is paid by the Company to the other subsidiaries for the services rendered by these Directors.

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Employees	<u>15</u>	<u>34</u>

8. Interest payable and similar expenses

	2021 £000	2020 £000
Unwind of discount on decommissioning provision	<u>82</u>	<u>171</u>

Notes to the financial statements
For the year ended 31 December 2021

9. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	(5)	-
Total current tax	(5)	-

Factors affecting tax charge for the year

The tax assessed for the year differs from the amount computed by applying the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Loss on ordinary activities before tax	(24,018)	(8,734)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(4,563)	(1,659)
Effects of:		
Non-taxable income	-	(41)
Unrelieved tax losses carried forward	4,558	1,700
Total tax charge for the year	(5)	-

Factors that may affect future tax charges

The main rate of corporation tax is due to increase on 1 April 2023 to 25%, for companies with taxable profits above £250,000. Companies with taxable profits below £50,000 will continue to pay at 19%, and marginal relief will apply between these thresholds. This change formed part of The Finance Bill 2021, which was substantively enacted on 24 May 2021, and is applicable at the reporting date.

On 23 September 2022 the UK Government announced that these changes are to be reversed. However, this has not yet been substantively enacted.

At the end of the reporting period, the Company has unutilised tax losses of £50,997k (2020 - £46,439k) available to offset against future profits.

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the financial statements
For the year ended 31 December 2021

10. Property, plant and equipment

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and motor vehicles £000	Right-of-use - Office equipment £000	Total £000
Cost or valuation					
At 1 January 2021	9,445	76,652	103	14	86,214
Additions	-	1,538	-	-	1,538
Disposals	-	-	(29)	(14)	(43)
Revaluations	(6,060)	(49,575)	-	-	(55,635)
At 31 December 2021	<u>3,385</u>	<u>28,615</u>	<u>74</u>	<u>-</u>	<u>32,074</u>
Depreciation					
At 1 January 2021	1,833	14,288	67	14	16,202
Charge for the year on owned assets	667	5,195	13	-	5,875
Disposals	-	-	(29)	(14)	(43)
On revalued assets	(2,500)	(19,483)	-	-	(21,983)
At 31 December 2021	<u>-</u>	<u>-</u>	<u>51</u>	<u>-</u>	<u>51</u>
Net book value					
At 31 December 2021	<u>3,385</u>	<u>28,615</u>	<u>23</u>	<u>-</u>	<u>32,023</u>
At 31 December 2020	<u>7,612</u>	<u>62,364</u>	<u>37</u>	<u>-</u>	<u>70,013</u>

A revaluation loss on freehold land and buildings and plant and machinery has been recognised during the year. See note 3. £19,044k has been recognised in other comprehensive income, being the reversal of gains that had previously been recognised. Further losses of £14,608k have been recognised in profit or loss.

The net book value of owned and leased assets included as "Property, plant and equipment" in the Statement of financial position is as follows:

	2021 £000	2020 £000
Property, plant and equipment owned	32,023	70,013
Right-of-use assets	-	-
	<u>32,023</u>	<u>70,013</u>

Notes to the financial statements
For the year ended 31 December 2021

10. Property, plant and equipment (continued)

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Information about right-of-use assets is summarised below:

Depreciation charge for the year ended

	2021 £000	2020 £000
Office equipment	<u>-</u>	<u>7</u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2021 £000	2020 £000
Cost	4,822	4,822
Accumulated depreciation	(4,430)	(4,237)
Net book value	<u>392</u>	<u>585</u>

If the plant and machinery had not been included at valuation they would have been included under the historical cost convention as follows:

	2021 £000	2020 £000
Cost	40,761	39,223
Accumulated depreciation	(34,633)	(33,003)
Net book value	<u>6,128</u>	<u>6,220</u>

11. Inventories

	2021 £000	2020 £000
Spare parts and consumables	<u>-</u>	<u>861</u>

Since March 2018, inventory has been held at 50% cost based on the uncertainty around the usability of spares and consumables post conversion.

During the year ended 31 December 2021 the Company has withdrawn from the conversion project, and inventory has been fully written down accordingly.

12. Trade and other receivables

	£000	£000
Trade receivables	15	49
Other receivables	225	306
Prepayments and accrued income	50	51
	<u>290</u>	<u>406</u>

No provision has been made for expected credit losses on trade receivables (2020 - £390k).

13. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	<u>83</u>	<u>131</u>

14. Trade and other payables

	2021 £000	As restated 2020 £000
Trade payables	369	321
Amounts owed to group undertakings	30,485	26,658
Other taxation and social security	60	24
Accruals and deferred income	45	58
	<u>30,959</u>	<u>27,061</u>

Included in amounts owed to group undertakings, is a convertible loan, which is denominated in British pounds, interest free and repayable on earlier of financial close of the SUP project or 31 December 2023. In the earlier event of an Atlantis share fundraise, the loan may be converted into shares in Atlantis pursuant to compliance with the contractual relationship agreement stipulating that SIMEC Group do not hold more than 49.9% of share capital in issue.

All other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15. Other payables (non-current)

	2021 £000	As restated 2020 £000
Deferred income	<u>1,468</u>	<u>1,469</u>

Notes to the financial statements
For the year ended 31 December 2021

16. Leases

Company as a lessee

The Company previously held lease contracts for IT equipment, with an original lease term of 3 years. The leases ended in the year ended 31 December 2020 and have not been re-entered.

Company as a lessor

The Company leases excess land available at the power station site to SIMEC Power Limited. The lease is agreed on a 999 year basis and includes a lease premium of £1,450,000, which is recognised in deferred income.

Operating leases

The following table summarises the undiscounted lease payments receivable after the reporting date.

	2021 £000	2020 £000
Not later than one year	-	-
Between one and two years	-	-
Between two and three years	-	-
Between three and four years	-	-
Between four and five years	-	-
Later than five years	99	99
Total undiscounted lease payments receivable	<u>99</u>	<u>99</u>

17. Provisions

	Decommissioning provision £000
At 1 January 2021	13,031
Unwind of discount	90
Released in year	(1,296)
At 31 December 2021	<u>11,825</u>

The decommissioning provision is to make allowance for the cost of restoring the site of the power station to a condition that complies with applicable legislation, which is anticipated to take place in approximately 2042. The provision is based upon an estimate of the timing and current cost of this exercise, adjusted for the effects of inflation and discounted to present value using an appropriate discount rate.

18. Share capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
23,865,817 (2020 - 23,865,817) Ordinary shares of £1.00 each	<u>23,866</u>	<u>23,866</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

19. Reserves

Revaluation reserve

The revaluation reserve arises on the revaluation of land and buildings, and plant and machinery, and is non-distributable (see note 10).

Other reserves

During the period, the Company recognised share based payment expenses amounting to £55k (2020 - £7k) arising from grants of shares options and stock awards by the ultimate holding company to an employee of the Company, resulting in a corresponding recognition of a capital contribution from the immediate holding company.

Transfer between reserves of £4k (2020 - £NIL) relate to lapsed share options relating to leavers of the share options scheme.

Retained earnings

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

20. Prior year adjustment

Deferred income of £1,468k (2020 - £1,469k) has been reclassified from current to non-current liabilities. See notes 14 and 15. This is in accordance with the timing of release, of the lease premium referred to in note 16. This adjustment has no impact on profit or loss.

21. Capital commitments

At 31 December 2021 the Company had capital commitments as follows:

	2021	2020
	£000	£000
Front end engineering and design costs	<u>-</u>	<u>1,000</u>

SIMEC Uskmouth Power Limited

Notes to the financial statements For the year ended 31 December 2021

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £12k (2020 - £14k). No contributions were payable to the fund at the reporting date.

23. Related party transactions

The Company has taken the exemption available under FRS 101 regarding related party transactions entered into between two or more members of a group, provided that the subsidiaries party to the transaction are wholly owned by a member of the group. During the year, the Company entered into significant transactions with related entities not qualifying for the disclosure exemption. These related entities are part of the GFG Alliance, which encompasses entities under the common control of Mr P K Gupta, and his son Mr S K Gupta, the ultimate owners of 29.68% of the parent company. The amounts and balances outstanding at the year end were as follows:

	2021 £000	2020 £000
Payment of rent and associated costs	-	392
Recharge of costs	<u>324</u>	<u>-</u>
	2021 £000	2020 £000
Amounts due to the Company	<u>-</u>	<u>390</u>

24. Post balance sheet events

Following the year end the Company has entered into an agreement with its strategic partners to deliver a 230MW/460MWh battery energy storage system ('BESS').

Following completion of the first project milestone, the Company has received an initial £6m payment in the form of a loan. The loan is interest-free over the period of the option agreement and will be repaid from the £6m development premium that is payable on the award of planning.

As part of this transaction, a £2m convertible loan from SIMEC Group (see note 14) has been repaid.

25. Controlling party

The immediate and ultimate parent company is SIMEC Atlantis Energy Limited, a company incorporated and registered in Singapore. The largest group of undertakings for which group accounts are drawn up and of which the company is included is the group headed by SIMEC Atlantis Energy Limited. No other Group financial statements include the results of this Company. The registered office of SIMEC Atlantis Energy Limited is 21 Merchant Road, Level 4, Singapore 058267. Copies of the financial statements of SIMEC Atlantis Energy Limited are available to the public and may be obtained from www.simecatlantis.com.

