

Registered number: SC347501

MeyGen plc

Annual report and financial statements

For the Year Ended 31 December 2022

MeyGen plc

Company Information

Directors

Simon Matthew Hirst
Graham Matthew Reid
David Gerard Taaffe

Company secretary

Intertrust (UK) Limited

Registered number

SC347501

Registered office

26 Dublin Street
Edinburgh
United Kingdom
EH3 6NN

Independent auditor

Kreston Reeves LLP
Chartered Accountants & Statutory Auditor
37 St Margaret's Street
Canterbury
Kent
CT1 2TU

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**Strategic Report
For the Year Ended 31 December 2022**

The directors present their Strategic report for the year ended 31 December 2022.

Business review

The MeyGen project has now delivered over 50 GWh of clean, predictable electricity to the grid, accounting for over 70% of all worldwide tidal stream generation.

Generation has improved significantly after the operational difficulties experienced in 2021 with two of the 1.5MW turbines supplied by Andritz Hydro Hammerfest. One of the Andritz turbines was redeployed in Q3-22 after the planned maintenance and has been operating successfully since then. The repairs on the second Andritz turbine and the retrofit of a wet mate connection system were recently completed and the turbine was successfully deployed in July 2023. The wet mate connection system, now fitted to two turbines, reduces the costs of recovering and deploying turbines by more than 50%.

In March 2022 Scottish Enterprise approved a new £2.5 million loan to support the company in its efforts to complete repairs on the turbines and return them to service as soon as possible. The continued support of Scottish Enterprise, Crown Estates Scotland and our other partners in the project has been fundamental in enabling tidal stream generation in Scotland.

In July 2022 the Company was successful in gaining Contracts for Difference(CfD) in Allocation Round 4 which guarantees £178.54/MWh for 15 years for 28MW of tidal generation. We continue to work on obtaining the necessary consents and permits required to develop this project prior to Financial Close. The Company has qualified to participate in Allocation Round 5 of the Contracts for Difference Scheme.

This support mechanism can provide the opportunity to accelerate the development of tidal stream technology throughout the United Kingdom and the Company supports the continued availability of a ring fenced budget for tidal stream technologies which will ensure the industry can deliver predictable electricity generation at scale to the United Kingdom.

The Company is ready to utilise the consents, grid connection and licences that are already in place to increase the capacity of the current array further up to 86MW.

Once operational, this project will be the largest tidal array ever built and continues to be a pioneer and a flagship for both the industry and the technology globally. We expect the buildout of MeyGen will unlock significant international opportunity for further projects and continue the reduction in the levelized cost of energy from tidal generation towards that of more established forms of renewable generation.

Financial and other key performance indicators

The Directors regard the following financial measures as key performance indicators:

	<u>2022</u>	<u>2021</u>	<u>Year on year movement</u>
	<u>£</u>	<u>£</u>	<u>%</u>
Revenue	3,901,752	1,627,642	140
Operating expenses	(7,964,343)	(5,063,892)	57
EBITDA	(1,328,281)	(1,420,384)	(6)

The Directors regard the following non-financial measures as key performance indicators:

	<u>2022</u>	<u>2021</u>	<u>Year on year movement</u>
	<u>GWH</u>	<u>GWH</u>	<u>%</u>
Generation	8.7	4.6	89

Principal risks and uncertainties

During the year, management considered the recoverability of its receivables and the carrying value of PPE and is confident that the carrying amounts of the assets will be recovered in full.

**Strategic Report (continued)
For the Year Ended 31 December 2022**

Directors' statement of compliance with duty to promote the success of the Company

The Directors acknowledge their duty under S.172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its member as a whole. In doing so, they have had regard (amongst other matters) to:

The likely consequences of any decision in the long term and in particular the need to ensure that the Company has robust plans to repay its long term funding.

The need to foster the Company's business relationships with its lenders. The Company engages regularly with its senior and junior creditors to provide updates on the Group's business which are of relevance to them.

The impact of the Company's operations on the community and the environment. More information on the Simec Atlantis Energy Group's social responsibilities is contained in the SIMEC Atlantis Energy Corporate Governance section of the Annual Report.

The objective of the Company is to maintain a high standard of business conduct. The intention of the Directors is to behave in a responsible manner, operating within the high standards of business conduct and good corporate governance as highlighted in the SIMEC Atlantis Energy Group Corporate Governance report in its published Annual Report.

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

Graham Matthew Reid

Director

Date: 27 July 2023

**Directors' Report
For the Year Ended 31 December 2022**

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

Principal activity

The principal activity of the company during the year was the development, engineering, design and construction of its tidal generation facilities and initial operation.

Results and dividends

The loss for the year, after taxation, amounted to £5,952,728 (2021 - loss £5,548,871).

The directors do not recommend the payment of a dividend for the year.

Directors

The directors who served during the year were:

Simon Matthew Hirst
Graham Matthew Reid
David Gerard Taaffe
James Lamb Wilson (resigned 30 June 2023)

Future developments

MeyGen continues to work with UK Government to secure the necessary support mechanisms to allow the further rollout of tidal stream technology, especially the next phase of the MeyGen project.

Once operational, this project will be the largest tidal array ever built and continues to be both a pioneer and a flagship for both the industry and the technology globally. We expect the buildout of MeyGen will unlock significant international opportunity for further projects and continue the reduction in the levelized cost of energy from tidal generation towards that of more established forms of renewable generation.

Financial risk management

The Company's financial risk management objective and policies, and exposure to currency, interest rate, equity price and cash flow risks are described at note 20.

Qualifying third party indemnity provisions

The Company has not made qualifying third party indemnity provisions for the benefit of its directors.

Matters covered in the Strategic report

To comply with the Companies Act 2006, the Company provides in the strategic report, a review of the development and performance of the company during the year, including key performance indicators and a description of the principal risks and uncertainties facing the company.

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.

MeyGen plc

Directors' Report (continued)
For the Year Ended 31 December 2022

Events after the reporting period

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

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.

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

Graham Matthew Reid

Director

Date: 27 July 2023

Independent Auditor's Report to the Members of MeyGen plc

Opinion

We have audited the financial statements of MeyGen plc for the year ended 31 December 2022 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out on pages 13 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

In our opinion the financial statements:

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3.1 in the financial statements, which describes various matters impacting the SIMEC Atlantis Group, of which this Company is a subsidiary, which are significant in the assessment of going concern. These are:

- Securitisation amount for the rental income stream arising from successful delivery of a Battery Energy Storage Solution ('BESS') project
- Timing of completion for a second BESS project
- Refinancing of Abundance bonds due for repayment in 2024
- Timing and amount of the repayment of EU grant funding

As stated in note 3.1, these events or conditions, along with the other matters as set forth in note 3.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of MeyGen plc (continued)

Other information

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page , 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.

Independent Auditor's Report to the Members of MeyGen plc (continued)

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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 MeyGen plc (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

27 July 2023

**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Revenue	5	3,901,752	1,627,642
Other operating income	6	730,181	-
Other operating expenses		(7,964,481)	(5,063,886)
Loss from operations		(3,332,548)	(3,436,244)
Finance income	9	20,574	425
Finance expense	9	(2,640,754)	(2,113,051)
Loss before tax		(5,952,728)	(5,548,870)
Tax expense	10	-	-
Loss for the year		(5,952,728)	(5,548,870)
Total comprehensive income		(5,952,728)	(5,548,870)

The notes on pages 13 to 41 form part of these financial statements.

MeyGen plc
Registered number: SC347501

Statement of Financial Position
As at 31 December 2022

	Note	2022 £	2021 £
Non-current assets			
Property, plant and equipment	11	40,925,788	42,413,496
		40,925,788	42,413,496
Current assets			
Trade and other receivables	12	2,238,908	718,628
Cash and cash equivalents	13	1,534,015	1,007,780
		3,772,923	1,726,408
Total assets		44,698,711	44,139,904
Non-current liabilities			
Loans and borrowings	15	42,024,476	36,689,092
Provisions	17	1,877,026	1,721,006
		43,901,502	38,410,098
Current liabilities			
Trade and other payables	14	2,628,302	1,656,897
Loans and borrowings	15	108,859	60,133
		2,737,161	1,717,030
Total liabilities		46,638,663	40,127,128
Net (liabilities)/assets		(1,939,952)	4,012,776
Issued capital and reserves			
Share capital	18	50,180	50,180
Retained earnings	19	(1,990,132)	3,962,596
Total equity		(1,939,952)	4,012,776

The financial statements on pages 9 to 41 were approved and authorised for issue by the board of directors and were signed on its behalf by:

Graham Matthew Reid
Director
Date: 27 July 2023

The notes on pages 13 - 41 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2022

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2021	50,180	9,511,467	9,561,647
Loss for the year	-	<u>(5,548,870)</u>	<u>(5,548,870)</u>
Total comprehensive income for the year	<u>-</u>	<u>(5,548,870)</u>	<u>(5,548,870)</u>
At 31 December 2021	<u>50,180</u>	<u>3,962,597</u>	<u>4,012,777</u>
At 1 January 2022	50,180	3,962,596	4,012,776
Loss for the year	-	<u>(5,952,728)</u>	<u>(5,952,728)</u>
Total comprehensive income for the year	<u>-</u>	<u>(5,952,728)</u>	<u>(5,952,728)</u>
At 31 December 2022	<u>50,180</u>	<u>(1,990,132)</u>	<u>(1,939,952)</u>

The notes on pages 13 to 41 form part of these financial statements.

Statement of Cash Flows
For the Year Ended 31 December 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Loss for the year		(5,952,728)	(5,548,870)
Adjustments for			
Depreciation of property, plant and equipment	11	2,004,267	2,015,941
Finance income	9	(20,574)	(425)
Finance expense	9	2,746,543	2,113,051
		<u>(1,222,492)</u>	<u>(1,420,303)</u>
Movements in working capital:			
(Increase)/decrease in trade and other receivables	12	(1,520,280)	511,579
Increase/(decrease) in trade and other payables	14	971,403	(454,287)
		<u>(1,771,369)</u>	<u>(1,363,011)</u>
Cash generated from operations		<u>(1,771,369)</u>	<u>(1,363,011)</u>
Net cash used in operating activities		<u>(1,771,369)</u>	<u>(1,363,011)</u>
Cash flows from investing activities			
Proceeds from grants received	11	-	296,000
Net cash from investing activities		<u>-</u>	<u>296,000</u>
Cash flows from financing activities			
Proceeds from borrowings	15	2,500,000	-
Repayment of borrowings	15	(85,383)	-
Payment of lease liabilities	16	(117,013)	(60,133)
Net cash from/(used in) financing activities		<u>2,297,604</u>	<u>(60,133)</u>
Net increase/(decrease) in cash and cash equivalents		<u>526,235</u>	<u>(1,127,144)</u>
Cash and cash equivalents at the beginning of year		<u>1,007,780</u>	2,134,924
Cash and cash equivalents at the end of the year	13	<u>1,534,015</u>	<u>1,007,780</u>

Cash and cash equivalents include encumbered deposits amounting to £684,700 (2021 - £678,730).

The notes on pages 13 to 41 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. Reporting entity

MeyGen plc (the 'Company') is a public company limited by shares and is incorporated in Scotland with the registration number SC347501. The Company's registered office is at 26 Dublin Street, Edinburgh, EH3 6NN.

The Company's principal activity is the operation and maintenance of tidal generation facilities. Further information on the activities of the Company is included as part of the Strategic Report on pages 1 to 2.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as adopted by the UK (collectively IFRSs). They were authorised for issue by the Company's board of directors on 27 July 2023.

Details of the Company's accounting policies, including changes during the year, are included in note 3.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 4.

These financial statements are presented in pounds sterling which is also the currency of the primary economic environment in which the company operates.

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2022

A number of amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022. These amendments to standards and interpretations had no impact on the financial statements of the Company.

ii) New standards, interpretations and amendments not yet effective

At the date of authorisation of these financial statements, several new but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies

3.1 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 31 July 2024.

Although the Company is in a net current asset position as at the financial year end, 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 of at least 12 months from the date of approval of these financial statements.

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 2022 were approved by its Directors on 25 July 2023 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 which is the period to 31 July 2024. 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 four material uncertainties that may cast significant doubt upon the Parent's ability to continue as a going concern. In summary, these are:

- a) Monetising the amount for the rental income stream arising from successful delivery of a Battery Energy Storage Solution ('BESS') project
- b) Timing of completion for a second BESS project
- c) Refinancing of the Abundance bonds due for repayment in 2024
- d) Timing of the repayment of EU grant funding

The Directors of the Parent company have also identified various actions which could be implemented, and other factors which may serve to mitigate against these uncertainties.

Please refer to the full Annual Report of SIMEC Atlantis Energy Limited (which can be found at www.saerenewables.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.

Nevertheless, the Directors have taken confidence from the Parent company's expectation for future success, which includes possible new sources of revenue, that may mitigate against the existence of material uncertainties about the Parent company's ability to continue as a going concern.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.1 Going concern (continued)

Despite the material uncertainty, on the basis of the Parent's going concern assessment, stress testing and consideration of the mitigations available, 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 which is the period to 31 July 2024. 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.

3.2 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

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

(i) Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue for the sale of equipment is recognised when the risk and rewards of the product are transferred to the customer.

(ii) Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, revenue for the separate good is recognised at a point in time when the good is delivered, the legal title has passed and the customer has accepted the good.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Consulting fees are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.2 Revenue (continued)

(ii) Rendering of services (continued)

Revenue for power sales is recognised based on the quantity of electricity exported and the contracted rate on the date of generation.

3.3 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, 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 charge.

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.

3.4 Finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.6 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Plant, property and equipment	20 - 25 years
Computer equipment and software	3 - 4 years
Right-of-use assets	Term of lease

Freehold land is not depreciated.

3.7 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see note 3.6).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see note 3.6).

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.10 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.10 Financial assets (continued)

Amortised cost and effective interest method

The effective interest method is a method for calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased and originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised costs of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by the applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased and originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'finance income' line item.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.10 Financial assets (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flow used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive if the loan is drawn down.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Company if the holder of the loan commitment draws down the loan, and the cash flows that the Company expects to receive if the loan is drawn down.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investments revaluation reserve, and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.10 Financial assets (continued)

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.11 Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.12 Leasing

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;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is included in the 'Loans and borrowings' line in the Statement of Financial Position.

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 remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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.

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 right-of-use assets are included in the 'Property, Plant and Equipment' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

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 3.6.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Accounting policies (continued)

3.12 Leasing (continued)

The Company as a lessee (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the 'other expenses' line item in profit or loss.

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.

3.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

4. Accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 3, 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.

4.1 Estimates and assumptions

Recoverability of plant, property and equipment

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 each of the respective projects, including financing costs, with expected revenues, net of operating and maintenance expenditure, over its operating life.

The key assumptions used to determine the MeyGen project's value-in-use are the 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 8% to 12%. Capital and operating and maintenance costs are based upon experience gained from the development and fully operational phase of MeyGen 1A. Estimated savings have been factored in to take account of scaling up both the capacity and numbers of the turbines needed for the development of the entire project. These savings are based upon the same principles as those achieved by the more advanced land based and offshore wind industry.

The recoverable amounts were determined to be in excess of the carrying values of both the property, plant and equipment and accordingly no impairment loss has been recognised. The recoverable amount is most sensitive to changes in capital and operating costs, discount rate and revenue per MWh and adverse movements in excess of 10% in relation to each could result in the carrying value of property, plant and equipment being impaired.

Provision for decommissioning costs

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, discounting is applied.

The estimated cost of decommissioning the assets used in the generation of power is reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning at the end of the producing life of these assets. The estimate is based on technology and prices at the balance sheet date. The unwinding of the discount on the provision is included in finance costs.

Notes to the Financial Statements
For the Year Ended 31 December 2022

4. Accounting estimates and judgements (continued)

4.1 Estimates and assumptions (continued)

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the leases, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

5. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

	2022	2021
	£	£
Power sales	<u><u>3,901,752</u></u>	<u><u>1,627,642</u></u>

All revenue relates to the generation of power sales, recognised based on the quantity of electricity exported and the contracted rate on the date of generation. Power sales includes associated revenue from Renewable Obligation Certificates ("ROCs").

All turnover arose within the United Kingdom.

6. Other operating income

	2022	2021
	£	£
Other operating income	254,518	-
Insurance claims receivable	475,663	-
	<u><u>730,181</u></u>	<u><u>-</u></u>

7. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor and its associates:

	2022	2021
	£	£
Fees payable to the 's auditor and its associates for the audit of the Company's financial statements	22,900	20,000

Notes to the Financial Statements
For the Year Ended 31 December 2022

8. Employee benefit expenses

The company does not have any staff under its employment. A service fee is charged by the related company, Atlantis Resources (Scotland) Limited, for services rendered by its employees.

Certain 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.

9. Finance income and expense

Recognised in profit or loss

	2022	2021
	£	£
Finance income		
Interest on:		
- Bank deposits	20,574	425
Total finance income	<u>20,574</u>	<u>425</u>
Finance expense		
Unwinding of discount on right-of-use leases	80,262	51,861
Unwinding of discount on decommissioning provisions	19,040	12,378
Loans from group undertakings	154,720	133,789
Other loan interest payable	2,357,883	1,886,175
Amortisation of debt-raising expenses	28,848	28,848
Total finance expense	<u>2,640,753</u>	<u>2,113,051</u>
Net finance expense recognised in profit or loss	<u><u>(2,620,179)</u></u>	<u><u>(2,112,626)</u></u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

10. Tax expense

10.1 Income tax recognised in profit or loss

There is no tax expense for the year (2021 - none).

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2022	2021
	£	£
Loss for the year	(5,952,728)	(5,548,871)
Income tax expense (including income tax on associate, joint venture and discontinued operations)	-	-
Loss before income taxes	(5,952,728)	(5,548,871)
Tax using the Company's domestic tax rate of 19% (2021:19%)	(1,131,018)	(1,054,285)
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	770,614	383,014
Unrelieved tax losses carried forward	360,404	671,271
Total tax expense	-	-

Changes in tax rates and factors affecting the future tax charges

The main rate of corporation tax will 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 forms part of The Finance Bill 2021, which was substantively enacted on 24 May 2021.

10.2 Unrecognised deductible temporary differences, unused tax losses and unused tax credits

At the end of the reporting period, the Company has unutilised tax losses of £13,958k (2021 - £13,598k) available for 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 2022

11. Property, plant and equipment

	Freehold land	Plant, property and equipment	Computer equipment and software	Right-of-use - Land and buildings	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2021	107,159	49,958,179	16,169	735,691	50,817,198
Grants received	-	(296,000)	-	-	(296,000)
Disposals	(87,159)	-	(13,951)	-	(101,110)
Adjustment - RPI change	-	-	-	78,563	78,563
Decommissioning provision movement	-	(139,223)	-	-	(139,223)
At 31 December 2021	20,000	49,522,956	2,218	814,254	50,359,428
Adjustment - RPI change	-	-	-	379,580	379,580
Decommissioning provision movement	-	136,980	-	-	136,980
At 31 December 2022	20,000	49,659,936	2,218	1,193,834	50,875,988
Accumulated depreciation and impairment					
At 1 January 2021	87,159	5,905,933	14,875	23,134	6,031,101
Charge owned for the year	-	2,002,754	739	-	2,003,493
Charged financed for the year	-	-	-	12,448	12,448
Disposals	(87,159)	-	(13,951)	-	(101,110)
At 31 December 2021	-	7,908,687	1,663	35,582	7,945,932
Charge owned for the year	-	1,982,241	555	-	1,982,796
Charged financed for the year	-	-	-	21,471	21,471
At 31 December 2022	-	9,890,928	2,218	57,053	9,950,199
Net book value					
At 1 January 2021	20,000	44,052,246	1,294	712,557	44,786,097
At 31 December 2021	20,000	41,614,269	555	778,672	42,413,496
At 31 December 2022	20,000	39,769,008	-	1,136,781	40,925,789

Notes to the Financial Statements
For the Year Ended 31 December 2022

11. Property, plant and equipment (continued)

Aggregate grants of £13.3 million, comprising a £10 million grant from the United Kingdom's Department of Energy and Climate Change, and two grants from Scotland's Highlands and Islands Enterprise totalling £3.3 million, were awarded for MeyGen projects in August 2014.

During 2020, the Company received £1.5 million in grant funding from the Scottish Governments Saltire Tidal Energy Challenge Fund and additional funding from Highlands and Islands Enterprise to develop and install a subsea tidal turbine connection hub.

In December 2021 the Company received a further £296,000 in grant funding from Scottish Enterprise.

Grants received where the conditions attached to them have been complied with were recorded as a deduction from the carrying amount of the project-under-construction in accordance with the accounting policy stated in note 3.3.

11.1. Assets held under leases

The Company has lease contracts for land, with lease terms of between 25 and 100 years.

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

	31 December 2022	31 December 2021
	£	£
Property, plant and equipment owned	39,789,007	41,634,824
Right-of-use assets, excluding investment property	1,136,781	778,672
	<u>40,925,788</u>	<u>42,413,496</u>

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

Net book value

	31 December 2022	31 December 2021
	£	£
Land and buildings	<u>1,136,781</u>	<u>778,672</u>

Depreciation charge for the year ended

	31 December 2022	31 December 2021
	£	£
Land and buildings	<u>21,471</u>	<u>12,448</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

11. Property, plant and equipment (continued)

11.2 Impairment losses recognised in the year

The recoverable amount of PPE has been assessed using a discounted cash flow model to calculate their value in use. The value in use cash flow model utilises supportable assumptions and demonstrates there is no impairment of PPE.

11.3 Assets pledged as security

The assets of the Company are pledged for security to secure long-term loans.

12. Trade and other receivables

	2022	2021
	£	£
Current		
Trade receivables	238,129	31,475
Prepayments and accrued income	1,725,115	687,153
Other receivables	275,664	-
Total current trade and other receivables	<u>2,238,908</u>	<u>718,628</u>

No provision for impairment has been made for the receivable balances as the directors are of the view that these receivables are recoverable.

Notes to the Financial Statements
For the Year Ended 31 December 2022

13. Notes supporting statement of cash flows

	2022	2021
	£	£
Cash at bank available on demand	849,315	329,050
Short-term deposits	684,700	678,730
Cash and cash equivalents in the statement of financial position	1,534,015	1,007,780

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of 3 months. The carrying amounts of these assets approximate their fair values.

Included in the fixed deposits are encumbered deposits amounting to £684,700 (2021 - £678,730) that serve as collateral for a letter of guarantee issued by a bank and a letter of credit granted to a contractor.

14. Trade and other payables

	2022	2021
	£	£
Current		
Trade payables	780,871	229,690
Payables to related parties	1,513,100	1,369,971
Accruals	242,935	28,445
Other payables - tax and social security payments	91,395	28,792
Total current trade and other payables	2,628,301	1,656,898

The trade payables and accruals are related to the operation of the MeyGen project.

Notes to the Financial Statements
For the Year Ended 31 December 2022

15. Loans and borrowings

	2022	2021
	£	£
Non-current		
Loans	41,032,071	35,990,621
Lease liabilities	992,405	698,471
	<u>42,024,476</u>	<u>36,689,092</u>
Current		
Lease liabilities	108,859	60,133
Total loans and borrowings	<u><u>42,133,335</u></u>	<u><u>36,749,225</u></u>

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value.

The terms of the loans are as follows:

i) SIMEC Atlantis Energy Limited

The loan from the ultimate holding company, SIMEC Atlantis Energy Limited, becomes repayable on 1 February 2030. The interest on the loan is compounded based on 12 month LIBOR + 5% per annum and is payable at maturity of the loan. At the balance sheet date, the carrying value of the loan approximates its fair value.

The balance outstanding at the reporting date is £1,348,766 (2021 - £1,282,917).

ii) Atlantis Operations (UK) Limited

Atlantis Operations (UK) Limited, a fellow group undertaking, has extended a loan to MeyGen plc. The loan bears interests at 5% + LIBOR and is repayable on 1 February 2030.

The balance outstanding at the reporting date is £1,512,818 (2021 - £1,423,947).

iii) Morgan Stanley Capital Group Inc.

A loan from Morgan Stanley Capital Group Inc. ("MSCGI") is repayable in February 2028, with interest compounded based on 12 month LIBOR + 5% per annum and is payable at maturity of the loan.

The balance outstanding at the reporting date is £6,178,308 (2021 - £5,814,249).

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

15. Loans and borrowings (continued)

iv) ENGIE Marine Developments Limited

A loan from ENGIE Marine Developments Limited ("ENGIE"), formerly known as International Power Marine Developments Limited, is repayable in February 2028, with interest compounded based on 12 month LIBOR + 5% per annum and is payable at maturity of the loan. At the balance sheet date, the carrying value of the loan approximates its fair value.

The balance outstanding at the reporting date is £6,178,308 (2021 - £5,814,249).

v) Scottish Enterprise and The Crown Estate Commissioners

As part of the Phase 1A MeyGen project financing, Scottish Enterprise (as administrator of the Renewable Energy Investment Fund) extended a loan to MeyGen of £7.5 million to finance the construction of the project. They also own shares in the immediate holding company.

The loans are repayable in the period from 2018 to 2027. No repayments were made in 2022 (2021 - £Nil). Interest on the loans is compounded semi-annually at 7.0% per annum.

The Crown Estate Commissioners committed an investment of £9.8 million to MeyGen, to finance the construction of the Phase 1A project, which will be serviced through the payment of "enhanced rent", with an exit payment at or before the date 10 years from commissioning of Phase 1A of the project. Enhanced rent payments of £85,382 were made in 2022 (2021 - £NIL).

The Scottish Enterprise loan and The Crown Estate investment to the Company are denominated in British pounds, and are repayable in the period from 2018 to 2027. The effective interest rates on these loans are in the range of 7% to 7.8% per annum. During 2022 £NIL (2021 - £NIL) was repaid. On 1 November 2022 two new remedial plans were agreed which suspend any further senior debt repayments until 1 November 2024.

The balance outstanding to Scottish Enterprise at the reporting date is £9,929,461 (2021 - £9,269,259). The balance outstanding to The Crown Estate at the reporting date is £13,100,849 (2021 - £12,386,001).

The long-term loans are secured by way of fixed and floating charges over the assets and shares of the Company.

On 30 March 2022, the Company agreed an additional loan facility of £2.5m with Scottish Enterprise with interest compounded semi-annually at a rate of 15% per annum. This loan is repayable on 31 May 2024.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees as described above.

The Company's exposures to interest rate, foreign currency and liquidity risks are described in note 20.

Notes to the Financial Statements
For the Year Ended 31 December 2022

16. Leases

(i) Leases as a lessee

The Company has lease contracts for land, with lease terms of between 25 and 100 years.

Lease liabilities are due as follows:

	2022	2021
	£	£
Contractual undiscounted cash flows due		
Not later than one year	108,859	60,133
Between one year and five years	338,126	214,038
Later than five years	4,508,964	3,589,304
	<u>4,955,949</u>	<u>3,863,475</u>
Lease liabilities included in the Statement of Financial Position at 31 December	<u>1,101,264</u>	<u>758,604</u>
Non-current	992,405	698,471
Current	<u>108,859</u>	<u>60,133</u>

The following amounts in respect of leases have been recognised in profit or loss:

	2022	2021
	£	£
Interest expense on lease liabilities	<u>80,261</u>	<u>51,861</u>

Lease obligations have been discounted based on the Company's incremental borrowing rate with a weighted average of 8% (2021 - 7%).

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

17. Provisions

	Decommissioning provision £
At 1 January 2022	1,721,006
Increase in provision	136,980
Unwind of discount	19,040
At 31 December 2022	<u>1,877,026</u>
Due within one year or less	-
Due after more than one year	1,877,026
	<u>1,877,026</u>

The provision for decommissioning costs represents the present value of the best estimate of direct costs that may be incurred to remove the turbine foundations from the sea bed at the Inner Sound of the Pentland Firth. Decommissioning is not anticipated until 2043.

18. Share capital

Authorised

	2022 Number	2022 £	2021 Number	2021 £
Shares treated as equity				
Ordinary shares of £0.005 each	10,035,926	50,180	10,035,926	50,180
	<u>10,035,926</u>	<u>50,180</u>	<u>10,035,926</u>	<u>50,180</u>

Issued and fully paid

	2022 Number	2022 £	2021 Number	2021 £
Ordinary shares of £0.005 each				
At 1 January and 31 December	<u>10,035,926</u>	<u>50,180</u>	<u>10,035,926</u>	<u>50,180</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

Retained earnings

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

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

20. Financial instruments - fair values and risk management

20.1 Financial risk management objectives

The Company is exposed to various financial risks arising in the normal course of business. It has adopted financial risk management policies and utilised a variety of techniques to manage its exposure to these risks.

20.2 Market risk

Currency risk

The Company transacts business in pounds sterling and is hence not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk arises from the potential change in interest rates that may have an adverse effect on the Company in the current reporting year or in future years.

The Company's exposure to interest rate risk is limited to the effects of the fluctuation in bank interest rate on cash and cash equivalents as well as LIBOR rates on loans and borrowings.

As at 31 December 2022, if the LIBOR rates had been 100 basis points higher/lower with all other variables held constant, the company's profit or loss would have been approximately £150,000 higher/lower, arising mainly as a result of higher/lower finance costs.

A fundamental financial industry reform of interest rate benchmarks is being undertaken globally, including the cessation and replacement of interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "interest rate benchmark reform"). The Company's interest rate risk that is directly affected by the interest rate benchmark reform predominantly comprises its variable rate borrowings. As at 31 December 2022, the Company has variable rate borrowings of £15.2 million that are indexed to LIBOR rates which has yet to transit to an alternative benchmark rate.

Equity price risk

The Company is not exposed to equity price risks as it does not hold any quoted equity investments.

20.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

At the balance sheet date, the total receivables balance is £238,129 (2021 - £31,475). There are no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as at the end of the reporting period. None of the receivables are past due at balance sheet date.

Cash and cash equivalents

Cash at bank is held with creditworthy financial institutions that are licensed banks in the countries in which the Company operates.

Notes to the Financial Statements
For the Year Ended 31 December 2022

20. Financial instruments - fair values and risk management (continued)

20.4 Liquidity risk management

The Company maintains its liquidity by maintaining sufficient cash and bank balances and monitoring its cash flow requirements.

All financial liabilities in 2022 and 2021 are repayable on demand or due within 1 year from the end of the reporting period, apart from secured and unsecured long term loans. Other than the secured loans, unsecured loans and related party payables the remaining financial liabilities are non-interest bearing.

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Carrying amount £	Total £	Less than 1 year £	2 - 5 years £	More than 5 years £
31 December 2022					
Trade and other payables (note 14)	2,628,302	2,628,302	2,628,302	-	-
Loan from ultimate holding company (note 15 - i)	1,348,766	2,351,306	-	-	2,351,306
Loan from related parties (note 15 - ii)	1,512,817	2,775,209	-	-	2,775,209
Secured loan from related parties (note 15 - v)	12,713,023	16,560,699	-	16,560,699	-
Long term loan (note 15 - iv)	12,356,616	16,853,248	-	-	16,853,248
Secured long term loan (note 15 - v)	13,100,848	17,472,073	-	17,472,073	-
Finance lease liabilities (note 16)	1,101,264	4,955,949	108,859	338,126	4,508,964
	<u>44,761,636</u>	<u>63,596,786</u>	<u>2,737,161</u>	<u>34,370,898</u>	<u>26,488,727</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

20. Financial instruments - fair values and risk management (continued)

20.4 Liquidity risk management (continued)

	Carrying amount £	Total £	Less than 1 year £	2 - 5 years £	More than 5 years £
31 December 2021					
Trade and other payables (note 14)	1,599,661	1,599,661	1,599,661	-	-
Loan from ultimate holding company (note 15 - i)	1,282,917	1,795,734	-	-	1,795,734
Loan from related parties (note 15 - ii & iii)	7,238,195	9,774,859	-	-	9,774,859
Secured loan from related parties (note 15 - v)	9,269,259	13,983,574	-	3,851,999	10,131,575
Long term loan (note 15 - ii & iv)	5,814,249	7,565,851	-	-	7,565,851
Secured long term loan (note 15 - v)	12,386,001	16,363,933	-	2,092,248	14,271,685
Finance lease liabilities (note 16)	758,604	3,863,475	60,133	214,038	3,589,304
	<u>38,348,886</u>	<u>54,947,087</u>	<u>1,659,794</u>	<u>6,158,285</u>	<u>47,129,008</u>

21. Capital management

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the company comprises of issued capital, accumulated losses and loans.

There are no changes in the Company's approach to capital management during the financial year. The Company is not subject to any externally imposed capital requirements.

Notes to the Financial Statements
For the Year Ended 31 December 2022

22. Related party transactions

Details of transactions between the Company and its related parties are disclosed below.

22.1 Transactions

During the year, the Company entered into the following trading transactions with related parties:

	Purchases of goods	
	2022	2021
	£	£
Cost recharges from Atlantis Operations (UK) Limited	255,080	60,646
Service fees from Atlantis Resources (Scotland) Limited	273,500	250,650
Interest on loan from Renewable Energy Investment Fund	660,202	616,306
Interest on loan from SIMEC Atlantis Energy Limited	65,849	63,853
Interest on loan from Atlantis Operations (UK) Limited	88,871	69,937
	<u>1,348,766</u>	<u>1,282,917</u>

22.2 Outstanding balances

The following balances were outstanding at the end of the reporting period:

	2022	2021
	£	£
SIMEC Atlantis Energy Limited	1,348,766	1,282,917
Atlantis Operations (UK) Limited	1,595,918	1,578,902
Atlantis Resources (Scotland) Limited	1,430,000	1,215,314
Renewable Energy Investment Fund	9,929,461	9,269,259
	<u>13,294,145</u>	<u>12,346,392</u>

Key management personnel compensation

Certain 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.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the company. The directors are considered as key management personnel of the company. During 2022, one (2021 - one) of the directors received emoluments of £12,000 from the Company (2021 - £12,000) in connection with their services to this Company.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

23. Controlling party

The immediate parent company is MeyGen Holdings Limited, a company incorporated and registered in the United Kingdom. At 31 December 2022 the Company's ultimate parent company was SIMEC Atlantis Energy Limited, a company incorporated and registered in Singapore.

The smallest group of undertakings for which group accounts are drawn up and of which the company is included is the group headed by MeyGen Holdings Limited. The registered office of MeyGen Holdings Limited is 26 Dublin Street, Edinburgh, EH3 6NN.

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. The registered office of SIMEC Atlantis Energy Limited is Level 4, 21 Merchant Road, #04-01, Singapore 058267.

Copies of the financial statements of SIMEC Atlantis Energy Limited are available to the public and may be obtained from www.saerenewables.com.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.