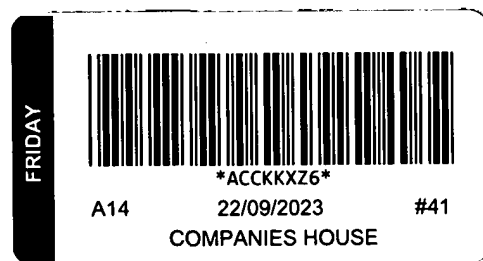


Annual Report and
Financial Statements for the Year Ended 31 December 2022
for
PKA TEESREP HOLDING (UK) LIMITED



PKA TEESREP HOLDING (UK) LIMITED

Contents of the Financial Statements
for the year ended 31 December 2022

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PKA TEESREP HOLDING (UK) LIMITED

Company Information
for the year ended 31 December 2022

DIRECTORS:

A P Wallace
D Jensen
B Fielding

REGISTERED OFFICE:

C/O Tmf Group, 13th Floor
One Angel Court
London
EC2R 7HJ

REGISTERED NUMBER:

10264305 (England and Wales)

AUDITORS:

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

PKA TEESREP HOLDING (UK) LIMITED

Report of the Directors **for the year ended 31 December 2022**

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of an investment holding company. There have not been any significant changes in the Company's principal activity since the year end and the Directors are not aware of any likely material changes in the next year. The Directors do not foresee any immediate risks crystallising.

REVIEW OF BUSINESS

The Company has invested in a joint venture to develop and build a biomass power station in Teesside. The level of investment in the joint venture as at 31 December 2022 is £3,660,662 (2021: £119,672,742).

GOING CONCERN

As at 31 December 2022, the Company has net current liabilities of £50,561,875 (2021: net current assets of £2,691,648) principally due to a loan of £52,947,577 from PKA Direct II K/S that was repayable on demand at 31 December 2022. After the year end, the Company has signed an amendment to the terms of this loan agreement such that any demands for repayment require 15 months prior notice from the date from which they are demanded. Amounts due under this loan agreement have not been demanded and there are no other loan repayments due until December 2024.

The Directors have considered the timing of these loan repayments as well as the operational commitments of the Company and have determined that there is a reasonable expectation that the Company has adequate resources to continue in existence for a period of at least 12 months from the signing of these financial statements. In making this assessment, the Directors have also considered the financial position of its joint venture and the ongoing delays that MGT Teesside is facing with the construction and commissioning of the Biomass power plant. Ultimately the Directors have assessed that these delays do not impact the ability of the Company to continue as a going concern as distributions are not required from the joint venture in order to settle the liabilities of the Company for a period of at least 12 months from the signing of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

A P Wallace
D Jensen

Other changes in Directors holding office are as follows:

V Cheshire - resigned 10 October 2022
B Fielding - appointed 10 October 2022

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of the approval of the financial statements.

PKA TEESREP HOLDING (UK) LIMITED

Report of the Directors **for the year ended 31 December 2022**

FINANCIAL RISK MANAGEMENT

The Board determines the key risks for the Company and monitors mitigation plans. The Company is exposed to the following principal risks and uncertainties:

Liquidity risk

The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business.

Credit risk

The Company's only debts are due to related parties and from its joint venture. The Directors therefore believe that, on the basis of the financial model the credit risk the Company faces is not material.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that, so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and that 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 auditors are aware of that information.

AUDITORS

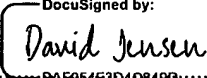
The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

PKA TEESREP HOLDING (UK) LIMITED

Report of the Directors
for the year ended 31 December 2022

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

DocuSigned by:

.....BAF954F3D40849D.....
D Jensen - Director

Date: 19 September 2023.....

Independent auditors' report to the members of PKA Teesrep Holding (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, PKA Teesrep Holding (UK) Limited's 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Report of the Independent Auditors to the Members of
PKA Teesrep Holding (UK) Limited

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Report of the Independent Auditors to the Members of
PKA Teesrep Holding (UK) Limited

Auditors' 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 auditors' 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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the regulation of the renewable energy industry in the UK, and 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 financial statements such as the Companies Act 2006. 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 and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- gaining an understanding of the legal and regulatory framework applicable to the Company and the renewable energy industry in the UK, and considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud;
- enquiry of management and those charged with governance around actual and potential litigation and claims and any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Report of the Independent Auditors to the Members of
PKA Teesrep Holding (UK) Limited

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility.



Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 September 2023

PKA TEESREP HOLDING (UK) LIMITED**Statement of Comprehensive Income**
for the year ended 31 December 2022


	Notes	2022 £	2021 £
REVENUE		-	-
Administrative expenses		<u>(177,858,141)</u>	<u>(76,700,963)</u>
		(177,858,141)	(76,700,963)
Other operating income		<u>-</u>	<u>136,189</u>
OPERATING LOSS		(177,858,141)	(76,564,774)
Interest receivable and similar income	5	<u>11,616,386</u>	<u>7,391,357</u>
		(166,241,755)	(69,173,417)
Interest payable and similar expenses	6	<u>(11,551,153)</u>	<u>(7,302,701)</u>
LOSS BEFORE TAXATION	7	(177,792,908)	(76,476,118)
Tax on loss	8	<u>40,802</u>	<u>(17,808)</u>
LOSS FOR THE FINANCIAL YEAR		(177,752,106)	(76,493,926)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(177,752,106)</u>	<u>(76,493,926)</u>

The notes form part of these financial statements

PKA TEESREP HOLDING (UK) LIMITED (REGISTERED NUMBER: 10264305)**Statement of Financial Position**
31 December 2022

	Notes	2022 £	2021 £
FIXED ASSETS			
Investments	9	3,660,664	119,672,742
CURRENT ASSETS			
Debtors	10	149,100	175,744
Cash at bank		<u>2,485,525</u>	<u>2,679,064</u>
		2,634,625	2,854,808
CREDITORS			
Amounts falling due within one year	11	<u>(53,196,500)</u>	<u>(163,160)</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(50,561,875)</u>	<u>2,691,648</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(46,901,211)	122,364,390
CREDITORS			
Amounts falling due after more than one year	12	<u>(103,441,523)</u>	<u>(94,955,017)</u>
NET (LIABILITIES)/ASSETS		<u>(150,342,734)</u>	<u>27,409,373</u>
CAPITAL AND RESERVES			
Called up share capital	13	38	38
Share premium	14	100,263,959	100,263,959
(Accumulated losses) Retained	14	<u>(250,606,730)</u>	<u>(72,854,624)</u>
SHAREHOLDERS' FUNDS		<u>(150,342,734)</u>	<u>27,409,373</u>

The financial statements on pages 9 to 20 were approved by the Board of Directors and authorised for issue on 19 September 2023 and were signed on its behalf by:

DocuSigned by:

BAF954F3D40849D.....
 D Jensen - Director

The notes form part of these financial statements

PKA TEESREP HOLDING (UK) LIMITED**Statement of Changes in Equity**
for the year ended 31 December 2022

	Called up share capital £	(Accumulated losses) Retained £	Share premium £	Total equity £
Balance at 1 January 2021	38	3,639,302	100,263,959	103,903,299
Changes in equity				
Total comprehensive income	-	(76,493,926)	-	(76,493,926)
Balance at 31 December 2021	38	(72,854,624)	100,263,959	27,409,373
Changes in equity				
Total comprehensive income	-	(177,752,106)	-	(177,752,106)
Balance at 31 December 2022	38	(250,606,730)	100,263,959	(150,342,734)

The notes form part of these financial statements

PKA-TEESREP HOLDING (UK) LIMITED

Notes to the Financial Statements
for the year ended 31 December 2022

1. STATUTORY INFORMATION

PKA Teesrep Holding (UK) Limited ("the Company") is a private Company limited by shares incorporated and domiciled in the United Kingdom (England and Wales). The address of its registered office is 8th Floor, 20 Farringdon Street, London, United Kingdom, EC4A 4AB.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d);
- the requirement of paragraph 33.7.

Going concern

As at 31 December 2022, the Company has net current liabilities of £50,561,875 (2021: net current assets of £2,691,648) principally due to a loan of £52,947,577 from PKA Direct II K/S that was repayable on demand at 31 December 2022. After the year end, the Company has signed an amendment to the terms of this loan agreement such that any demands for repayment require 15 months prior notice from the date from which they are demanded. Amounts due under this loan agreement have not been demanded and there are no other loan repayments due until December 2024.

The Directors have considered the timing of these loan repayments as well as the operational commitments of the Company and have determined that there is a reasonable expectation that the Company has adequate resources to continue in existence for a period of at least 12 months from the signing of these financial statements. In making this assessment, the Directors have also considered the financial position of its joint venture and the ongoing delays that MGT Teeside is facing with the construction and commissioning of the Biomass power plant. Ultimately the Directors have assessed that these delays do not impact the ability of the Company to continue as a going concern as distributions are not required from the joint venture in order to settle the liabilities of the Company for a period of at least 12 months from the signing of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

PKA TEESREP HOLDING (UK) LIMITED**Notes to the Financial Statements - continued**
for the year ended 31 December 2022**2. ACCOUNTING POLICIES - continued****Financial instruments**

Section 11 and 12 of FRS 102 applied when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is
 - (i) a fixed amount;
 - (ii) a positive fixed rate or a positive variable rate; or
 - (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that
 - (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than
 - (1) a change of a contractual variable rate;
 - (2) to protect the holder against credit deterioration of the issuer;
 - (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or
 - (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount to any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against change in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provision may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

PKA TEESREP HOLDING (UK) LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2022

2. ACCOUNTING POLICIES - continued

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(i) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

(iii) Trade and other payables

Trade and other payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

(iv) Financial liabilities

Basic financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities are derecognised when the liability is extinguished, that is the contractual obligation is discharged, cancelled or expires.

Fixed asset investments

Fixed asset investments in subsidiaries, associates or joint ventures are recognised at cost, less any impairment.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is provided at the amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

PKA TEESREP HOLDING (UK) LIMITED**Notes to the Financial Statements - continued**
for the year ended 31 December 2022**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 2, 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 the 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.

Impairment of investments

At each reporting date, the Directors assess the investments for indicators of impairment. If there is objective evidence of impairment, an impairment review is undertaken in order to determine whether any impairment is required for the investment by comparing the carrying amount of the investment to the estimated recoverable amount. The recoverable amount is based on the value in use. The value in use calculation is based on a discounted cash flow (DCF) model with estimated assumptions. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash flows. The DCF model contains a number of estimated values including those related to power prices, inflation, fuel to power conversion ratio, and exchange rates. where the key uncertainty relates to the timing of the start of sustainable operation of the power plant.

The carrying amount of the investment was GBP 3,660,664. During the year the Company recorded an impairment of GBP 177,619,562 which reflects the Directors' uncertainty, at 31 December 2022, around the continued viability of the construction of the biomass power plant, following the technical and construction challenges faced.

4. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	17,500	17,500
Social security costs	1,187	-
	<u>18,687</u>	<u>17,500</u>

The average number of employees during the year was as follows:

	2022	2021
Administration	<u>1</u>	<u>1</u>

	2022	2021
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

The Directors received no remuneration from PKA Teesrep Holding (UK) Limited during the year ended 31 December 2022 (31 December 2021: nil). A P Wallace, Vincent Cheshire and Benjamin Fielding who were Directors of the Company during the year, were also employees of TMF Global Services (UK) Limited, which provided accounting and administrative services to the Company and charged the Company £20,021 (31 December 2021: £36,900) for its services during the year.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£	£
Interest receivable from joint ventures	<u>11,616,386</u>	<u>7,391,357</u>

PKA TEESREP HOLDING (UK) LIMITED**Notes to the Financial Statements - continued**
for the year ended 31 December 2022**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2022	2021
	£	£
Interest payable to related parties	<u>11,551,153</u>	<u>7,302,701</u>

7. LOSS BEFORE TAXATION

The loss is stated after charging:

	Notes	2022	2021
		£	£
Audit fees		16,600	19,128
Foreign exchange differences		3,220	1,911
Staff costs	4	18,687	17,500
Impairment of investments		<u>177,619,562</u>	<u>76,577,413</u>

During the year ended 31 December 2022 the Company charged £Nil (year ended 31 December 2021: £136,189) to MGT Teeside Limited in respect of letter of credit notes. This amount has been shown as other operating income.

PKA TEESREP HOLDING (UK) LIMITED**Notes to the Financial Statements - continued**
for the year ended 31 December 2022**8. TAX ON (LOSS)****Analysis of the tax charge**

The tax (credit)/charge on the loss for the year was as follows:

	2022	2021
	£	£
Current tax:		
UK corporation tax	-	19,246
Adjustments in respect of prior period	(40,802)	(1,438)
	<u>(40,802)</u>	<u>17,808</u>

UK corporation tax has been charged at 19% in (2021 - 19%).

The (credit)/charge for the year can be reconciled to the loss per the income statement as follows:

	2022	2021
	£	£
(Loss) before taxation	(177,792,908)	(76,476,118)
Expected tax credit based on a corporation tax rate of 19% (2021: 19%)	(33,780,653)	(14,530,462)
Effects of:		
Impairment of investments not deductible for tax purposes	33,747,717	14,549,708
Deferred tax not recognised on losses	32,936	-
Adjustments in respect of prior period	(40,802)	(1,438)
Total tax (credit)/charge	<u>(40,802)</u>	<u>17,808</u>

Factors affecting future tax charges

In the Spring Budget 2022, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

PKA TEESREP HOLDING (UK) LIMITED**Notes to the Financial Statements - continued**
for the year ended 31 December 2022**9. INVESTMENTS**

	2022	2021
COST	£	£
Investment in joint ventures	-	23,500,109
Loans to joint ventures	3,660,664	96,172,633
	<u>3,660,664</u>	<u>119,672,742</u>
		Investment in joint venture
COST		£
At 1 January 2022		23,500,109
Impairment		<u>(23,500,109)</u>
At 31 December 2022		<u>-</u>
		Loans to joint ventures
		£
At 1 January 2022		96,172,633
Loans advanced and interest accrued in the year		61,607,484
Impairment		<u>(154,119,453)</u>
At 31 December 2022		<u>3,660,664</u>

The Company has provided three loans to Chaptre Holdings Limited.

The standard funding shareholder loan of £80,707,398 (2021: £74,505,232), accrues interest on a monthly basis at a rate of 8%. If unpaid, the interest is capitalised into the principal value of the loan. The loan is due for repayment in full on 14 November 2038.

The special shareholder loan of £24,069,664 (2021: £21,667,401), accrues interest on a 6 monthly basis at a rate of 11%. If unpaid, the interest is capitalised into the principal value of the loan. The loan is due for repayment in full on 17 December 2024.

During the year the company received intragroup loans from PKA Direct II K/S in two facilities. Facility A loans of £27,340,782 (2021: nil) accrue interest on a 6 monthly basis at a rate of 15%. Facility B loans of £25,662,273 (2021: nil) accrue interest on a 6 monthly basis at a rate of 20% prior to the CfD trigger date of 14 November 2022, and 15% thereafter.

As at 31 December 2022, a total provision of £154,119,453 (2021: nil) has been recognised against the loans

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

PKA TEESREP HOLDING (UK) LIMITED**Notes to the Financial Statements - continued**
for the year ended 31 December 2022**9. INVESTMENTS – continued****Joint ventures****Chaptre Holdings Limited**

Registered office: 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG

Nature of business: Investment Holding Company

Class of shares:	%
Ordinary	holding 50.00

Chaptre Finance PLC

Registered office: 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG

Nature of business: Financial intermediary

Class of shares:	%
Ordinary	holding 50.00

Chaptre Holdings Limited owns all of the issued share capital of Chaptre Finance Plc. As such, PKA Teesrep Holding (UK) Limited indirectly owns 50% of Chaptre Finance PLC through its holding in Chaptre Holdings Limited.

MGT Teesside Limited

Registered office: 8 White Oak Square, London Road, Swanley, England, BR8 7AG

Nature of business: Construction of Tees Renewable Energy Plant

Class of shares:	%
Ordinary	holding 50.00

Chaptre Holdings Limited owns all of the issued share capital of MGT Teesside Limited. As such, PKA Teesrep Holding (UK) Limited indirectly owns 50% of MGT Teesside Limited through its holding in Chaptre Holdings Limited.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Corporation tax	145,339	39,555
VAT	3,761	-
Prepayments and accrued income	-	136,189
	<u>149,100</u>	<u>175,744</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Amounts owed to group undertakings	191,766	120,102
Amounts owed to participating interests	5,028	5,028
Social security and other taxes	485	499
VAT	-	260
Accruals and deferred income	51,644	37,270
Accrued expenses	-	1
Amounts owed to group undertakings	<u>52,947,576</u>	<u>163,160</u>
	<u>53,196,500</u>	<u>163,160</u>

PKA TEESREP HOLDING (UK) LIMITED**Notes to the Financial Statements - continued**
for the year ended 31 December 2022

Amounts owed to group undertakings relate to intragroup loans of £52,947,576 (2021: nil). These loans accrue interest on a 6 monthly basis at a rate of 15%. The facility is repayable on demand. After year end, the terms of the loan have been amended such that the loan is repayable with 15 months notice.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022	2021
	£	£
Amounts owed to group undertakings	<u>103,441,523</u>	<u>94,955,017</u>

Amount owed to group undertakings relate to two inter-company loans.

The standard funding shareholder loan of £80,707,398 (2021: £74,505,232), accrues interest on a monthly basis at a rate of 8%. If unpaid, the interest is capitalised into the principal value of the loan. The loan is due for repayment in full on 14 November 2038.

The special shareholder loan of £24,069,664 (2021: £21,667,294), accrues interest on a 6 monthly basis at a rate of 11%. If unpaid, the interest is capitalised into the principal value of the loan. The loan is due for repayment in full on 17 December 2024.

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021
			£	£
38	Ordinary	£1	<u>38</u>	<u>38</u>

14. RESERVES

	(Accumulated losses) Retained £	Share premium £	Totals £
At 1 January 2022	(72,854,624)	100,263,959	27,409,335
Deficit for the year	<u>(177,752,106)</u>		<u>(177,752,106)</u>
At 31 December 2022	<u>(250,606,730)</u>	<u>100,263,959</u>	<u>(150,342,771)</u>

PKA TEESREP HOLDING (UK) LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2022

15. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption, under the terms of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the group.

During the year ended 31 December 2022 the Company borrowed £49,882,920 from PKA Direct II K/S (year ended 31 December 2021: £20,000,000).

Interest of £11,551,153 (year ended 31 December 2021: £7,302,701) was charged to the Income Statement during the year in respect of the amounts borrowed from the group companies.

At 31 December 2022 the amount due to PKA Direct II K/S was £156,389,100 (2021: £94,955,008).

Disclosed in note 4 to the financial statements are the transactions in the year and balance as at 31 December 2022 with TMF Global Services (UK) Limited, a further related party due to the provision of Directors services to the Company

No Director received emoluments in respect of their services to the Company during the year.

16. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is PKA Teesrep Holding ApS, registered in Denmark and the ultimate parent undertaking is PKA Direct II K/S, registered in Denmark. PKA Direct II K/S is also the group company preparing consolidated financial statements, which are publicly available and which include PKA Teesrep Holding (UK) Limited. The financial statements of PKA Direct II K/S may be obtained from Klareboderne 1, Copenhagen 1115, Denmark.

PKA Direct II K/S is jointly controlled by Pensionskassen for Sundhedsfaglige, Pensionskassen for Socialraadgivere, Socialpaedagoger og Kontorpersonale and Pensionskassen for Sygeplejersker og Laegesekretaerer.

PKA Direct II K/S is also the largest and the smallest undertaking to include the results of PKA Teesrep Holding (UK) Limited.