

Company Registration No. SC315779

SIMEC GHR LTD

Report and Financial Statements

31 December 2020

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SIMEC GHR LTD

Report and financial statements 2020

Officers and professional advisers

Directors

Alexander Reading
Stephen Hutt
Ian Cartwright
Graham Reid

Resigned 27 August 2021
Resigned 23 March 2021
Appointed 20 September 2021

Secretary

Intertrust (UK) Limited

Registered office

1st Floor Cef Building
Inveralmond Road
Inveralmond Industrial Estate
Perth
PH1 3TW

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

SIMEC GHR LTD

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year to 31 December 2020. The Company has applied 414B Companies Act 2006 exemption for small companies and has not presented a strategic report.

On 31 October 2019, the Company was acquired by SIMEC Atlantis Energy Limited ("Atlantis"), a company listed on AIM, from SIMEC GHR Acquisitions Topco Limited ("TopCo"). Subsequent to the acquisition, the accounting period was extended to 31 December in line with the Atlantis Group. The prior period reported is from 1 October 2018 to 31 December 2019.

Principal activities

The principal activity of the company is the development, operation and management of small and medium sized hydroelectric schemes to generate renewable energy on behalf of scheme owners.

Results and dividends

The profit for the period, after taxation, amounted to £711,870 (period to 31 December 2019: loss of £2,975,959). The loss in the period to 31 December 2019 is driven by non-recurring expenses of £3,114,262 relating to a write-off of loans due from the larger group which owned SIMEC GHR LTD prior to acquisition by Atlantis.

The directors do not recommend the payment of a dividend for the year (period to 31 December 2019: £12,100,000).

Directors

The directors who served the Company during the period are shown on page 1.

Directors' indemnities

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

Political contributions

No political donations were made by the company during the year.

Key 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.

SFO Investigation

On 14th May 2021, the Serious Fraud Office (SFO) announced that it was investigating suspected activities in relation to the financing and conduct of the business of companies within the GFG Alliance. A major shareholder of SIMEC Atlantis Energy Ltd (SAE), SIMEC UK Energy Holdings Ltd, is a member of the GFG Alliance and so could potentially be within the scope of the SFO investigation. It is not clear at this time what, if any, impact this investigation may have on the GFG Alliance and therefore

SIMEC GHR LTD

Directors' report

what, if any, impact it could have on our ultimate parent company, SAE. It should be noted that SAE has never had any financing arrangements with Greensill Capital UK Ltd, is not a member of the GFG Alliance, and is an independent company whose shares are admitted to trading on the AIM market operating by the London Stock Exchange.

Appointment of Receiver

On 18th May 2021, it was announced that a receiver had been appointed over SUEH. On 23rd July, the GFG Alliance has confirmed to the parent, SIMEC Atlantis Energy Limited, that the receiver's appointment has ceased, and the receivers have resigned as directors of SUEH. The GFG Alliance have also provided confirmation that they are in control of their shares in the parent, SIMEC Atlantis Energy Limited.

In response to the increased risks arising from developments in the parent company's major shareholder and the SFO investigation of the GFG Alliance, the Directors and the Group Audit Committee made further enquiries of management on the impact of these developments on the assumptions used in the cash flow forecasts, as well as the nature and completeness of recording and disclosure of transactions and balances with related parties that had taken place during the year. Following the enquiry, they were satisfied that the accounting for transactions with related parties were appropriate.

Results for the year

The directors are satisfied with the results for the period which are set out on page 11.

Auditors disclaimer of opinion

The external auditors were not able to obtain sufficient appropriate evidence over the key assumptions applied in management's going concern forecasts prepared for the period to 31 December 2022 due to the potential interaction of the material uncertainties (as outlined in Note 2) to be able to conclude that the use of the going concern assumption is appropriate and accordingly were unable to express an opinion on the Company and Group financial statements of the parent company.

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 December 2022.

The company is in a net asset position of £1.987 million as at the financial year end (including amounts of £0.238 million owing to it from related companies within the group) and the company requires parental financial support from Simec Atlantis Energy Limited (the "parent"). The parent has provided a letter of support confirming it will provide support for the period to 31 December 2022 where required.

SIMEC GHR LTD

Directors' report

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.

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

Going concern assessment – parent

The parent company financial statements for the year ended 31 December 2020 were approved by its directors on 29 June 2021 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 December 2022. 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 4 material uncertainties that may cast significant doubt upon the parent's ability to continue as a going concern. In summary, these are:

- Access to related party loans from SIMEC UK Energy Holdings Limited and SIMEC Group Limited. The parent has an existing drawn down facility of £2 million and undrawn facility of £2million as at year end.
- Uncertainty as to the expected proceeds of the third and fourth closings on the New Technology Capital Group, LLC funding due in 2021.
- Refinancing of the Abundance bonds (£4.8 million) due for repayment in June 2022
- Timing of the repayment of EU grant funding (€3.3 million)

Please refer to the full Annual Report of SIMEC Atlantis Energy Limited (which can be found at <https://simecatlantis.com/annual-report-2020/>) for details of the material uncertainties identified.

Material uncertainty in relation to going concern of the company

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

Despite the material uncertainty, on the basis of the parent's going concern assessment, stress testing and consideration of the mitigations available (some of which are not within the control of management), the Board of Directors of the Company have a reasonable expectation that the parent has sufficient resources to provide ongoing financial support for the foreseeable future which is the period to 31 December 2022. As a result, the Board of Directors of the Company will continue to adopt the going concern basis of accounting in preparing the company financial statements.

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

SIMEC GHR LTD

Directors' report

Disclosure of information to the auditor

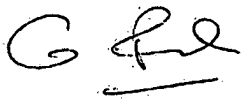
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to Section 487 of the Companies Act 2006, Ernst & Young LLP have expressed their desire not to continue as the Company's auditor for the full financial period although they will remain in office until such time as a replacement auditor is appointed.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'G Reid', with a horizontal line underneath.

Graham Reid

Director

23 November 2021

SIMEC GHR LTD

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIMEC GHR LTD

Disclaimer of Opinion

We were engaged to audit the financial statements of SIMEC GHR LTD for the year ended 31 December 2020 which comprise Statement of comprehensive loss, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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

Basis for disclaimer of opinion

The directors have prepared the Company's financial statements for the year ended 31 December 2020 on a going concern basis based on the assumptions as disclosed in the basis of preparation set out in note 2. These financial statements show that, as at and for the year ended on that date, the company incurred a net profit after tax of £0.772 million, and the company had cash balances totalling £1.265 million.

The company is reliant on its ultimate holding company, SIMEC Atlantis Energy Limited (the parent) for continued financial support.

The financial position of the Company is intrinsically linked to the parent upon which it is reliant on for financial support. The audit opinion on the parent company financial statements was disclaimed as a result of the interaction of the above material uncertainties and the possible cumulative effect on the appropriateness of the going concern assumption used in the preparation of the parent company financial statements.

The Directors of the 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.

The factors described above and the existence of multiple material uncertainties in the parent as described in the basis of preparation set out in note 2 relate to events or conditions that, individually or collectively, may cast significant doubt on the ability of the parent company to continue as going concern.

We are unable to form an opinion on the Company financial statements due to the reliance on the parent for financial support and the disclaimer of audit opinion on the parent company financial statements.

The financial statements of the Company do not reflect any adjustments that would be required should the Company be unable to continue as a going concern.

Emphasis of matter – post balance sheet events

We draw attention to the post balance sheet events note (note 20) of the financial statements, which describes the UK's Serious Fraud Office (SFO) investigation into the ultimate beneficial owner of the parent company's major shareholder. Whilst we are issuing a disclaimer of opinion, our opinion is not also modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIMEC GHR LTD

Opinions on other matters prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the financial statements, 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIMEC GHR LTD

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are UK Companies Act 2006, Income Tax Act, Energy Act 2008 and Renewables obligation order 2009.
- We understood how Simec GHR LTD is complying with those frameworks by obtaining and reviewing minutes of Board meetings, making enquiries of management, reviewing significant contracts, review for potential adverse media reports and testing manual journal entries.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the environment in which the entity operates, reviewing the group structure and understanding the policies put in place by management to prevent and detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved performing a detailed review over journal entries, reviewing significant contracts, reviewing minutes of board meetings, making enquiries of management and a detailed review of cashbook transactions.
- As set out in Note 20, the UK Serious Fraud Office (SFO) announced on 14th May 2021 that they are investigating the ultimate beneficial owner of the major shareholder of the parent company, SIMEC Atlantis Energy Limited. In response to the increased risk in respect of related party transactions, in addition to assessing the company's processes and controls around the completeness of related party transactions (including reporting of such transactions to the Board of Directors), we involved our forensic specialists in designing extended procedures to analyse the company's bank accounts over the past two years to identify any unusual transactions with related parties. In addition, we extended our testing of manual journal entries recorded by the company for the year to 31 December 2020.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIMEC GHR LTD

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.

Ernst & Young LLP

Julie Cavin (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Edinburgh

23 November 2021

SIMEC GHR LTD

Statement of profit and loss and other comprehensive income Year to 2020

	Notes	Year to 31 December 2020 £	Period from 1 October 2018 to 31 December 2019 £
Revenue from contracts with customers	4	2,406,855	3,789,755
Cost of sales		<u>(655,397)</u>	<u>(2,136,914)</u>
Gross profit		1,751,458	1,652,841
Administrative expenses		<u>(1,132,100)</u>	<u>(2,111,392)</u>
Profit/(loss) from operating activities before non-recurring items *	5	619,358	(458,551)
Nonrecurring items	6	<u>-</u>	<u>(3,114,262)</u>
Results from operating activities		619,358	(3,572,813)
Grant income		40,729	
Insurance proceeds		139,135	
Interest receivable and similar income	8	-	991,185
Finance costs	9	<u>(2,352)</u>	<u>(394,331)</u>
Profit/(loss) before income tax		796,870	(2,975,959)
Taxation	10	<u>(25,000)</u>	-
Profit/(loss) for the period		771,870	(2,975,959)
Other comprehensive income		-	-
Total comprehensive income		<u>771,870</u>	<u>(2,975,959)</u>

The notes on pages 14 to 27 form an integral part of these financial statements.

- Non-recurring items - Items which individually or, if of a similar type, in aggregate need to be separately disclosed by virtue of their nature, size or incidence in order to allow a proper understanding of the underlying financial performance of the Company. See note 6

SIMEC GHR LTD

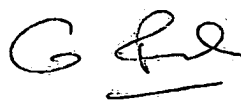
Statement of financial position As at 31 December 2020

	Notes	As at 31 December 2020 £	As at 31 December 2019 £
Non-current assets			
Property, plant and equipment	11	61,729	63,202
Right-of-use assets	12	33,553	57,056
Total non-current assets		95,282	120,258
Current assets			
Trade and other receivables	13	1,128,300	705,632
Cash and cash equivalents	14	1,265,827	1,220,661
Total current assets		2,394,127	1,926,293
Total assets		2,489,409	2,046,551
Current liabilities			
Trade and other payables	15	(467,023)	(772,647)
Lease liabilities	12	(19,464)	(19,740)
Total current liabilities		(486,487)	(792,387)
Non-current liabilities			
Lease Liabilities	12	(15,348)	(38,460)
Total non-current liabilities		(15,348)	(38,460)
Total liabilities		(501,835)	(830,847)
Net assets		1,987,574	1,215,704
Equity and reserves			
Share capital	16	15,338	15,338
Accumulated profits		1,972,236	1,200,366
Total equity		1,987,574	1,215,704

The notes on pages 14 to 27 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 23 November 2021 and were signed on its behalf by:

Graham Reid
Director
Company Registration No. SC315779



SIMEC GHR LTD

Statement of changes in equity For the year ended 31 December 2020

		Share capital £	Accumulated profits £	Total £
Balance at 1 January 2019		15,338	16,276,325	16,291,663
Total comprehensive income for the period				
Profit for the year		-	(2,975,959)	(2,975,959)
Payment of dividends	17	-	(12,100,000)	(12,100,000)
Balance at 31 December 2019		<u>15,338</u>	<u>1,200,366</u>	<u>1,215,704</u>
Total comprehensive income for the period				
Profit for the year		-	771,870	771,870
Balance at 31 December 2020		<u>15,338</u>	<u>1,972,236</u>	<u>1,987,574</u>

The notes on pages 14 to 27 form an integral part of these financial statements.

SIMEC GHR LTD

Notes to the financial statements Year ended 31 December 2020

1. General information

SIMEC GHR LTD is a company incorporated in Scotland under the Companies Act 2006. The address of the registered office is given on page 1.

The principal activity of the company during the year is the development, operation and management of small and medium-sized hydro electric schemes to generate renewable energy.

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

The immediate and ultimate holding company is SIMEC Atlantis Energy Limited, a company incorporated in Singapore.

2. 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 December 2022.

The company is in a net asset position of £1.987 million as at the financial year end (including amounts of £0.238 million owing to it from related companies within the group) and the company requires parental financial support from Simec Atlantis Energy Limited (the “parent”). The parent has provided a letter of support confirming it will provide support for the period to 31 December 2022 where required.

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

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

SIMEC GHR LTD

Notes to the financial statements For the year ended 31 December 2020

Going concern assessment – parent

The parent company financial statements for the year ended 31 December 2020 were approved by its directors on 29 June 2021 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 December 2022. 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 4 material uncertainties that may cast significant doubt upon the parent's ability to continue as a going concern. In summary, these are:

- Access to related party loans from SIMEC UK Energy Holdings Limited and SIMEC Group Limited. The parent has an existing drawn down facility of £2 million and undrawn facility of £2million as at year end.
- Uncertainty as to the expected proceeds of the third and fourth closings on the New Technology Capital Group, LLC funding due in 2021.
- Refinancing of the Abundance bonds (£4.8 million) due for repayment in June 2022
- Timing of the repayment of EU grant funding (€3.3 million)

Please refer to the full Annual Report of SIMEC Atlantis Energy Limited (which can be found at <https://simecatlantis.com/annual-report-2020/>) for details of the material uncertainties identified.

Material uncertainty in relation to going concern of the company

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

Despite the material uncertainty, on the basis of the parent's going concern assessment, stress testing and consideration of the mitigations available (some of which are not within the control of management), the Board of Directors of the Company have a reasonable expectation that the parent has sufficient resources to provide ongoing financial support for the foreseeable future which is the period to 31 December 2022. As a result, the Board of Directors of the Company will continue to adopt the going concern basis of accounting in preparing the company financial statements.

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

SIMEC GHR LTD

Notes to the financial statements For the year ended 31 December 2020

3. Significant accounting policies

3.1 Basis of accounting

The Company financial statements have been prepared and approved by the directors in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and Companies Act 2006.

The financial statements are prepared on the historical cost basis.

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

The Company adopted FRS 101 for the period presented. The accounting policies which follow set out those policies which apply in preparing these financial statements for the year ended 31 December 2020.

The following principles have been applied:

Financial reporting standard 101 – reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-Based Payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS Presentation of Financial Statements
- the requirement of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by the member.
- The requirements of paragraphs 134(d) -134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

SIMEC GHR LTD

Notes to the financial statements For the year ended 31 December 2020

3.1 Basis of accounting (continued)

Adoption of New and Revised Standards

A number of amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020. Amendments to standards and interpretations had no impact on the financial statements of the Company.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reporting amount of income and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Company's accounting policies make use of estimates and judgments in the following areas; revenue recognition, payables and receivables, depreciation and taxation. These are described in more detail in the relevant accounting notes.

3.2 Financial Instruments

A financial instrument is any contract that give rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The classification depends on the nature and purpose of the financial assets and liabilities which is determined at the time of initial recognition.

The Company's financial assets include cash, trade and other receivables.

The Company's financial liabilities include trade and other payables.

Impairment of non-derivative financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

3.3 Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable, net of sales related taxes. Revenue from contracts to provide services for project management, administration, operation and maintenance of special purpose vehicles is recognised in the period in which the control of services are provided in accordance with the state of completion of the contract when all the following conditions are satisfied; the performance obligation has been met and the amount of revenue can be measured reliably.

SIMEC GHR LTD

Notes to the financial statements For the year ended 31 December 2020

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated in the statement of financial position at cost, less any subsequent accumulated impairment losses. Freehold land is not depreciated.

Property, plant and equipment in the course of construction for production are carried at cost, less any recognised impairment loss. Cost includes directly attributable finance costs and professional fees in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land and construction-in-progress, over their estimated useful lives using the straight-line method, on the following basis:

Plant and equipment	-	5 years
Motor vehicles	-	3-5 years
Fixtures and fittings	-	3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

3.5 Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, testing for impairment is undertaken.

3.6 Grants

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

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.

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Notes to the financial statements For the year ended 31 December 2020

3.7 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

3.8 Finance income and finance costs

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Finance cost comprises interest expense on borrowings and changes in fair values of derivative liabilities. All borrowing costs are recognised in the profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

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Notes to the financial statements For the year ended 31 December 2020

3.9 Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of 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.

3.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3.11 Retirement benefit obligations

The Company operates a defined contribution plan for its employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

3.12 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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Notes to the financial statements For the year ended 31 December 2020

3.12 Leases (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the interest rate implied in the lease agreements, or if that rate cannot be readily determined, the Company's incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. Revenue

An analysis of the Company's revenue is as follows:

	Year to December 2020	Period from 1 October 2018 to 31 December 2019
	£	£
Consultancy	104,550	499,758
Project management	412,799	325,720
Operations and maintenance	1,566,401	1,650,973
Construction management	86,547	1,020,839
Administration services	236,558	257,694
Development fees	-	34,771
	<u>2,406,855</u>	<u>3,789,755</u>

SIMEC GHR LTD

Notes to the financial statements For the year ended 31 December 2020

5. Operating loss

This is stated after charging/(crediting):

	Year to 31 December 2020	Period from 1 October 2018 to 31 December 2019
	£	£
Depreciation on property, plant and equipment	31,120	31,366
Depreciation on right-of-use assets	23,503	23,503
Interest expenses on lease liabilities	2,352	3,297
Auditor's remuneration	20,000	20,000
Rental expenses	-	6,351
Grant income	(40,729)	-

6. Nonrecurring expenses

In the prior period to 31 December 2019, nonrecurring expenses relate to £2,968,618 loss on the write off of loan receivable from the previous parent TopCo, that arose during the restructuring of the larger group prior to acquisition by Atlantis and £145,644 of costs relating to aborted acquisition costs.

7. Employee benefits expenses and directors' remuneration

	Year to 31 December 2020	Period from 1 October 2018 to 31 December 2019
	Number	Number
Average Number of staff	20	22
	£	£
Wages and salaries	692,303	1,449,918
Social security costs	90,214	155,666
Defined contribution pension cost	100,424	112,815
Other related costs	15,927	12,642
	898,868	1,731,041

The directors are employees of other subsidiaries within the Group and no consideration is paid by the Company to the other subsidiaries for services rendered by these directors. In the prior period to 31 December 2019 staff costs included directors' remuneration of £475,709. During 2020, the Company received £40,729 under the UK Government COVID-19 furlough scheme.

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Notes to the financial statements For the year ended 31 December 2020

8. Interest receivable and similar income

	Year to 31 December 2020 £	Period from 1 October 2018 to 31 December 2019 £
Interest receivable from previous group undertakings	-	879,765
Other interest receivable	-	111,420
	<u>-</u>	<u>991,185</u>

9. Finance costs

	Year to 31 December 2020 £	Period from 1 October 2018 to 31 December 2019 £
Bank interest on loans and overdrafts	-	235,877
Interest payable to previous group undertakings	-	155,157
Unwind of discount on lease liabilities	2,352	3,297
	<u>2,352</u>	<u>394,331</u>

10. Taxation

	Year to 31 December 2020 £	Period from 1 October 2018 to 31 December 2019 £
Profit/(loss) for the year	771,870	(2,975,959)
Total tax expense	25,000	-
Profit/(loss) excluding taxation	<u>796,870</u>	<u>(2,975,959)</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	151,405	(565,432)
Effect of expenses that are not deductible	-	591,710
Adjustments in respect of current income tax of previous years	25,000	-
Group relief surrendered for no payment	(151,405)	-
Utilisation of losses for which no deferred tax asset was recognised	-	(26,278)
Total tax expense	<u>25,000</u>	<u>-</u>

At the end of the reporting period, the company has unutilised tax losses of £1,677,022 (2019: £1,677,022) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

In the United Kingdom, applicable rate of tax is computed at 19% (2018: 19%).

SIMEC GHR LTD

Notes to the financial statements For the year ended 31 December 2020

11. Property, plant and equipment

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost:				
At 31 December 2019	54,888	41,268	75,780	171,936
Additions	3,135	22,061	4,452	29,648
Disposal	(22,679)	-	(38,783)	(61,462)
Transfers	(11,177)	11,177	-	-
At 31 December 2020	<u>24,167</u>	<u>74,506</u>	<u>41,449</u>	<u>140,122</u>
Accumulated depreciation:				
At 31 December 2019	33,242	22,831	52,661	108,734
Depreciation for the year	6,305	13,259	11,556	31,120
Disposals	(20,571)	(7,704)	(33,186)	(61,461)
At 31 December 2020	<u>18,976</u>	<u>28,386</u>	<u>31,031</u>	<u>78,393</u>
Carrying amount:				
At 31 December 2019	<u>21,646</u>	<u>18,437</u>	<u>23,119</u>	<u>63,202</u>
At 31 December 2020	<u>5,191</u>	<u>46,120</u>	<u>10,418</u>	<u>61,729</u>

Transfers relate to the reclassification of assets for disclose purposes only

12. Leases

The Company has lease contracts for office buildings, with lease terms remaining between 3 and 5 years. Set out below are the carrying amounts of right-of use assets recognised and the movements during the period:

	Land and buildings £
At 1 January 2019	80,559
Depreciation expense	<u>(23,503)</u>
At 31 December 2019	57,056
Depreciation expense	<u>(23,503)</u>
At 31 December 2020	<u>33,553</u>

SIMEC GHR LTD

Notes to the financial statements For the year ended 31 December 2020

12. Leases (continued)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the period:

	2020 £	2019 £
At 1 January	58,200	80,559
Accretion of interest	2,352	3,297
Payments	(25,740)	(25,656)
At 31 December	34,812	58,200
Current	19,464	19,740
Non-current	15,348	38,460
	34,812	58,200

Lease obligations have been discounted based on the Company's incremental borrowing rate with a weighted average of 5% (2019: 5%).

13. Trade and other receivables

	2020 £	2019 £
Trade receivables	592,881	329,426
Prepayments and accrued income	297,419	376,206
Amounts due from group undertakings	238,000	-
	1,128,300	705,632

No provision for expected credit loss has been made for the receivable balances based on materiality. Amounts from group undertakings are interest free and repayable on demand.

14. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	1,265,827	1,220,661

15. Trade and other payables

	2020 £	2019 £
Trade payables	83,238	192,914
Accruals and deferred income	213,642	443,529
Value-added tax payable	111,171	32,243
Other taxation and social security	29,826	100,961
Corporation tax	25,000	-
Other payables	4,146	3,000
	467,023	772,647

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Notes to the financial statements For the year ended 31 December 2020

16. Share capital

	2020 £	2019 £
Ordinary share capital		
Allotted, called up and fully paid		
15,338 of £1 each	15,338	15,338

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.

17. Dividend

No dividends were paid during 2020. In the prior period, on 8 July 2019 a dividend of £12,100,000 was paid to SIMEC GHR LTD, the immediate owner of SIMEC GHR LTD

18. Related party transactions

The Company has taken the exemption available under FRS 101 regarding related party transactions entered into between two or more members of a group, provided that the subsidiaries party to the transaction are wholly owned by a member of the group. Disclosure is made of related party transactions which are not wholly owned subsidiaries within the Group and therefore do not qualify for the disclosure exemption.

19. Ultimate parent undertaking

At 31 December 2020 the Company is a subsidiary undertaking of SIMEC Atlantis Energy Limited, which is the ultimate parent company incorporated in Singapore and registered at Level 4, 21 Merchant Road, Singapore 058267. The Group headed by SIMEC Atlantis Energy Limited is also the largest group in which the results of the Company are consolidated. No other group financial statements include the results of this Company.

The consolidated financial statements of the group are available to the public and may be obtained from the group's website at www.simecatlantis.com.

20. Post Balance sheet events

On 14th May 2021, the Serious Fraud Office (SFO) announced that it was investigating suspected activities in relation to the financing and conduct of the business of companies within the GFG Alliance. A major shareholder of SIMEC Atlantis Energy Ltd (SAE), SIMEC UK Energy Holdings Ltd, is a member of the GFG Alliance and so could potentially be within the scope of the SFO investigation. It is not clear at this time what, if any, impact this investigation may have on the GFG Alliance and therefore what, if any, impact it could have on our ultimate parent company, SAE. It should be noted that SAE has never had any financing arrangements with Greensill Capital UK Ltd, is not a member of the GFG Alliance, and is an independent company whose shares are admitted to trading on the AIM market operating by the London Stock Exchange.

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Notes to the financial statements For the year ended 31 December 2020

On 23rd July, the GFG Alliance has since confirmed to the parent, SIMEC Atlantis Energy Limited, that the receiver's appointment has ceased, and the receivers have resigned as directors of SUEH. The GFG Alliance have also provided confirmation that they are in control of their shares in the parent, SIMEC Atlantis Energy Limited.

The Company's parent, Simec Atlantis Energy Limited, is in advanced discussions with a 3rd party in relation to the acquisition of 100% of the share capital of SIMEC GHR LTD. It is expected that the acquisition will be completed before the end of the Company's current financial year ended 31 December 2021.