

Levenseat Renewable Energy Ltd

Directors' Report and Financial Statements

Year Ended

31 December 2022

Company Number SC480543

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Levenseat Renewable Energy Ltd

Company Information

Directors	C Campbell P J MacLaren A J Hamilton E P Renton
Registered number	SC480543
Registered office	Levenseat Waste Management Site Wilsontown Forth Lanark ML11 8EP
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Investec Bank plc 30 Gresham Street London EC2V 7QP Barclays Bank plc 1 Churchill Place London E14 5HP Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2AD
Solicitors	Pinsent Masons Princes Exchange 1 Earl Grey Street Edinburgh EH3 9AQ

Levenseat Renewable Energy Ltd

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Levenseat Renewable Energy Ltd

Strategic Report For the Year Ended 31 December 2022

The directors of Levenseat Renewable Energy Limited (the "company") present their strategic report for the year ended 31 December 2022.

Review of the business

2022 presented both challenges and opportunities for Levenseat Renewable Energy Ltd. The company saw increases in revenue, however the EfW plant was still facing challenges with maintaining stable operations due to problems with the gasifier stability and stable combustion, leaks in the boiler tubes and too much ash carry over in the stack. Progress has been made and settlements during 2022 made with the EPC contractor and technology provider (post 22 year end).

COVID-19 brought many challenges however it did not directly impact on Levenseat Renewable Energy Ltd operations. The plant has though experienced inflationary costs as issues with the supply chain and post Brexit arrangements have had an impact on all cost lines.

In 2022 there has been a softening in the recycle values due to economic slowdown. These have impacted on the demand for recycled material in the commodity markets and their associated pricing. Levenseat Renewable Energy Ltd has however benefited from increases in the amount paid per MWh for the electricity generated at the EfW plant.

Principal risks and uncertainties

The directors have assessed the risks the group is exposed to as stated below:

Competitive Risk. Levenseat Renewable Energy Ltd has entered into long-term contracts with its customers in a bid to ensure continuity of supply. Levenseat Renewable Energy Ltd also aims to provide the highest level of customer service at all times and is in continuous contact with customers to ensure all their needs are met.

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Levenseat Renewable Energy Ltd mitigates this risk by only granting these terms to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures.

Liquidity Risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Levenseat Renewable Energy Ltd mitigates liquidity risk by managing cash generation of its operations.

Regulatory Compliance Risk is the risk that Levenseat fails to comply with the terms of the Pollution Prevention and Control (PPC) permits and other regulations which govern its waste management operations. To mitigate this risk the company, under an MSA agreement, ensure that there is a knowledgeable and qualified team to manage the business in compliance with these permits and regulations. Levenseat Renewable Energy Ltd also fully and continuously engages with Scottish Environment Protection Agency throughout the year.

Health and Safety Risk is the risk that Levenseat Renewable Energy Ltd operations pose a risk to the health or safety of its employees, suppliers, customers or the general public. Levenseat Renewable Energy Ltd mitigates this risk by maintaining a regime which (i) requires all operations to be conducted in accordance with high standards of health and safety; and (ii) maintains a high level of awareness among all people involved of potential dangers and the appropriate methods of mitigating them. To support this Levenseat Renewable Energy Ltd employs an independent health and safety consultant who regularly monitors and audits all of Levenseat Renewable Energy Ltd operations.

Technical Risk is the risk that the residual technology risks associated with this first of class technology can not be resolved within the resources available to Levenseat Renewable energy Limited. The company mitigates this risk by retaining access to the original equipment manufacturers, retaining leading technical advisors in the sector and oversight from the experienced major shareholders with similar technologies.

Levenseat Renewable Energy Ltd

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

Principal risks and uncertainties (continued)

Re-Financing Risk is the risk that Levenseat Renewable Energy Limited either defaults on its current Senior Loan Facility or is unable to refinance, or renegotiate new terms or and an extension with the Senior Lenders, by the longstop date of 31 March 2025. The Company has a good relationship with its lenders with regular communication of issues and has always found constructive solutions with the Senior Lenders. Financial Advisors are also appointed to work on refinancing options before the debt is due for repayment.

Going concern

The company currently has £207,123,423 (2021 restated - £190,326,460) of total debt and made a loss of £24,609,371 (2021 restated - £30,334,302). The financial statements of the company have been prepared on a going concern basis, which assumes the company will continue to be able to meet its liabilities as they fall due for the foreseeable future. The directors' have prepared a 12-month cash flow forecasts till February 2025 which shows, the company will need additional funds, from the shareholders to undertake remediation work on the power plant. The directors are in the discussion with the shareholders to receive these funds, and they are confident that the funds will be provided, but this is not guaranteed.

The company has also entered into a standstill agreement with Investec for the repayment of the bank loan. As part of the agreement, the scheduled repayment which was due on 31 December 2023 for £1.8m has been deferred to 19th February 2024 and extended further to 8th March 2024. The company will not be able to make this payment but the directors are actively negotiating a refinancing of the bank loan with Investec and are confident that they will come to an agreement which will allow them to defer the payments to 2025 and beyond, in exchange for a funding commitment from the shareholders. Shareholders expect this agreement to be concluded in the first quarter of 2024.

The company's management is actively seeking ways to support this process, including exploring potential sources of additional financing, implementing cost-saving measures, preparing to commence capital investment for improvements and reviewing its business strategy. However, there is at the time of signing these accounts no absolute certainty that these actions will be successful or that they will be sufficient to enable the company to continue as a going concern. At the time of signing these accounts, Heads of terms for an agreement between company, shareholders and lenders have however been proposed and agreed, and management are working with the parties to progress to signature.

Despite the good progression of talks on this agreement, until formal signature of the debt restructure, this situation does indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustment that would be necessary should the going concern basis of preparation no longer be appropriate.

This report was approved by the board on 16th FEBRUARY 2024 and signed on its behalf


A J Hamilton
Director

Levenseat Renewable Energy Ltd

Directors' Report For the Year Ended 31 December 2022

The directors present their report together with the audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the group is to operate an energy centre utilising the recovery of waste to generate electricity and, in the year under review, the primary focus was on the development of the project.

Results and dividends

The loss for the year, after taxation, amounted to £24,609,371 (2021 - restated loss £30,334,298).

The directors do not recommend a dividend for the year (2021 - £Nil).

Political donations

No political donations have been made in the current year (2021 - £Nil).

Directors and their interests

The directors who served during the the year and to the date of this report as follows:

C Campbell
P J MacLaren
A J Hamilton
T Hartwell (appointed 14 February 2022, resigned 10 August 2023)
J B Williams (resigned 14 February 2022)

E P Renton was appointed as a director after the year end on 10 August 2023.

No director had an interest in the share capital of the company at the statement of financial position date. Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Future developments and events after the post balance sheet date

On 4th April 2023, an agreement was reached between Levenseat Renewable Energy Ltd & Outotec (UK) Ltd to terminate the O&M agreement following the decision by Outotec (UK) Ltd to withdraw from the waste to energy business in the UK. As of 1st of May 2023 the operation and management of the Energy from Waste facility at Levenseat, Forth, will become the responsibility of Levenseat Renewable Energy Ltd.

Directors' statement as to disclosure of information to auditor

The directors who were members of the Board at the time of approving the directors' report are named on page 2. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors 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.

Levenseat Renewable Energy Ltd

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

Independent auditor

BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the board on 16TH FEBRUARY 2024 and signed on its behalf.



A J Hamilton
Director

Levenseat Renewable Energy Ltd

Directors' Responsibilities Statement For the Year Ended 31 December 2022

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 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.

Levenseat Renewable Energy Ltd

Independent Auditor's Report to The Members Of Levenseat Renewable Energy Ltd

Opinion on the financial statements

In our opinion the financial statements:

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

We have audited the financial statements of Levenseat Renewable Energy Ltd ("the company") for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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.

Material uncertainty relating to going concern

We draw attention to note 2 to the financial statements, which indicates that the company will require additional funding in the going concern period and renegotiate the repayment of the bank loan both of which is not guaranteed. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Levenseat Renewable Energy Ltd

Independent Auditor's Report to The Members Of Levenseat Renewable Energy Ltd (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and the financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

Levenseat Renewable Energy Ltd

Independent Auditor's Report to The Members Of Levenseat Renewable Energy Ltd (continued)

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the company's policies and procedures regarding compliance with laws and regulations; and
- We considered the significant laws and regulations to be Financial Reporting Standard 102, UK tax legislation, the Bribery Act 2010 and the Companies Act 2006.

The company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to UK tax legislation, the Bribery Act 2010 and the Companies Act 2006.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Extending inquiries to individual outside of management and the accounting department to corroborate management's ability and intent to carry out plans that are relevant to developing the estimate.

Levenseat Renewable Energy Ltd

Independent Auditor's Report to The Members Of Levenseat Renewable Energy Ltd (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override and revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias with regards to management's impairment test and future cash flows, these have been assessed to determine whether any indicators of impairment exist and considered management's assessment of this estimate; and
- Carrying out detailed testing to ensure that revenue recorded throughout the year exists and has been traced through to cash receipts.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:



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22 February 2024

Marc Reinecke (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Levenseat Renewable Energy Ltd

Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 £	As restated 2021 £
Turnover	4	26,016,094	18,773,389
Cost of sales		(24,871,153)	(22,102,412)
Gross profit/(loss)		1,144,941	(3,329,023)
Administrative expenses		(7,968,331)	(8,236,449)
Other operating income	5	3,400,000	-
Operating loss	6	(3,423,390)	(11,565,472)
Interest receivable	8	1	17
Interest payable	9	(21,951,308)	(19,877,586)
Gain on interest rate swap		765,326	1,108,743
Loss before tax		(24,609,371)	(30,334,298)
Loss for the financial year		(24,609,371)	(30,334,298)
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(24,609,371)	(30,334,298)

The notes on pages 13 to 27 form part of these financial statements.

Levenseat Renewable Energy Ltd

Registered number: SC480543

Statement of Financial Position As at 31 December 2022

	Note	2022 £	2022 £	As restated 2021 £	As restated 2021 £
Fixed assets					
Tangible assets	11		112,079,640		129,079,255
Current assets					
Stocks	12	492,761		492,762	
Debtors	13	4,669,097		1,651,159	
Cash at bank (including restricted cash)	14	2,397,592		943,200	
		<u>7,559,450</u>		<u>3,087,121</u>	
Creditors: amounts falling due within one year	15	(13,857,083)		(49,490,750)	
Net current liabilities			<u>(6,297,633)</u>		<u>(46,403,629)</u>
Total assets less current liabilities			<u>105,782,007</u>		<u>82,675,626</u>
Creditors: amounts falling due after more than one year	16		(198,049,474)		(150,333,722)
Net liabilities			<u>(92,267,467)</u>		<u>(67,658,096)</u>
Capital and reserves					
Called up share capital	17		2		2
Profit and loss account	18		(92,267,469)		(67,658,098)
Total deficit			<u>(92,267,467)</u>		<u>(67,658,096)</u>

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



A J Hamilton
Director

The notes on pages 13 to 27 form part of these financial statements.

Levenseat Renewable Energy Ltd

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

	Called up share capital	Profit and loss account	Total deficit
	£	£	£
At 1 January 2022	2	(67,658,098)	(67,658,096)
Comprehensive loss for the year			
Loss for the year	-	(24,609,371)	(24,609,371)
At 31 December 2022	2	(92,267,469)	(92,267,467)

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Profit and loss account	Total deficit
	£	£	£
At 1 January 2021	2	(46,531,395)	(46,531,393)
Prior year adjustment	-	9,207,595	9,207,595
At 1 January 2021 (as restated)	2	(37,323,800)	(37,323,798)
Comprehensive loss for the year			
Loss for the year (as restated)	-	(30,334,298)	(30,334,298)
At 31 December 2021 (as restated)	2	(67,658,098)	(67,658,096)

The notes on pages 13 to 27 form part of these financial statements.

Levenseat Renewable Energy Ltd

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

1. General information

Levenseat Renewable Energy Ltd is a private company limited by shares and incorporated in Scotland under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Related party transactions;
- Key Management Personnel compensation; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The company currently has £207,123,423 (2021 restated - £190,326,460) of total debt and made a loss of £24,609,371 (2021 restated - £30,334,302). The financial statements of the company have been prepared on a going concern basis, which assumes the company will continue to be able to meet its liabilities as they fall due for the foreseeable future. The directors' have prepared a 12-month cash flow forecasts till February 2025 which shows, the company will need additional funds, from the shareholders to undertake remediation work on the power plant. The directors are in the discussion with the shareholders to receive these funds, and they are confident that the funds will be provided, but this is not guaranteed.

The company has also entered into a standstill agreement with Investec for the repayment of the bank loan. As part of the agreement, the scheduled repayment which was due on 31 December 2023 for £1.8m has been deferred to 19th February 2024 and extended further to 8th March 2024. The company will not be able to make this payment but the directors are actively negotiating a refinancing of the bank loan with Investec and are confident that they will come to an agreement which will allow them to defer the payments to 2025 and beyond, in exchange for a funding commitment from the shareholders. Shareholders expect this agreement to be concluded in the first quarter of 2024.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.2 Going concern (continued)

The company's management is actively seeking ways to support this process, including exploring potential sources of additional financing, implementing cost-saving measures, preparing to commence capital investment for improvements and reviewing its business strategy. However, there is at the time of signing these accounts no absolute certainty that these actions will be successful or that they will be sufficient to enable the company to continue as a going concern. At the time of signing these accounts, Heads of terms for an agreement between company, shareholders and lenders have however been proposed and agreed, and management are working with the parties to progress to signature.

Despite the good progression of talks on this agreement, until formal signature of the debt restructure, this situation does indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustment that would be necessary should the going concern basis of preparation no longer be appropriate.

2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Gate revenue is received for the waste taken from customers, this is based on weight received at the plant and is due upon receipt at the plant.

Power supply revenue is received for the supply of electricity generated by the plant and supplied to the Centrica. Revenue is based upon the level of electricity supplied, additional subsidies are received for the renewable energy processes used.

Amounts receivable from construction contracts

Where amounts are receivable from construction contracts, to the extent that these relate to delays in construction and not to performance of the asset, these are recognised as other income in the statement of comprehensive income. All other amounts receivable under construction contracts are deducted from the cost of the asset.

2.4 Leased assets: the company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.5 Finance costs

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

2.6 Tangible fixed assets

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

Assets in the course of construction for operational purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs which are capitalised. Depreciation of these assets commences when the assets are ready for their intended use.

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

Depreciation is provided at the following rates:

Power plant & site	- 5% straight line
Equipment & infrastructure	- 25% straight line
Workshop equipment	- 25% straight line
Office equipment	- 25% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

A review of impairment is carried out at each reporting date. Where the carrying value exceeded the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed at each reporting date.

2.7 Derivative instruments

The company uses interest rate swaps to adjust interest rate exposures. These are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

The company does not undertake any hedge accounting transactions.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.9 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

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

2.11 Financial instruments

The company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.11 Financial instruments (continued)

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

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

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Other financial instruments

Derivatives, including forward exchange contracts, futures contracts and interest rate swaps, are not classified as basic financial instruments. These are initially recognised at fair value on the date the derivative contract is entered into, with costs being charged to the profit or loss. They are subsequently measured at fair value with changes in the profit or loss.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.11 Financial instruments (continued)

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as with a documented risk management or investment strategy.

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

2.12 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.14 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

2.15 Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.16 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years 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 by the statement of financial position date.

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 statement of financial position 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.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date 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 based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date.

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

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.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the financial reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There were no judgements, estimates and assumptions made during the year that would have a material impact on the financial statements.

Recoverability of tangible asset base

The forecasted output and future economic benefits associated with the tangible asset base is based on various assumptions which relate to technical and economical inputs. These assumptions are considered to be key sources of estimation of uncertainty. The directors review and monitor cashflows to evaluate the internal rate of return expected from the project and the recoverability of the tangible asset base.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Sales	<u>26,016,094</u>	<u>18,773,389</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	<u>26,016,094</u>	<u>18,773,389</u>

5. Other operating income

	2022 £	2021 £
Liquidated Damages Income	<u>3,400,000</u>	<u>-</u>

6. Operating loss

The operating loss is stated after charging/crediting:

	2022 £	As restated 2021 £
Depreciation	7,037,401	7,489,786
Auditor remuneration	<u>68,000</u>	<u>58,000</u>

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

7. Employees

The average monthly number of employees, including directors, during the year was Nil (2021 - Nil).

8. Interest receivable

	2022 £	2021 £
Other interest receivable	1	17

9. Interest payable

	2022 £	As restated 2021 £
Bank interest payable	3,166,802	3,710,274
Other loan interest payable	18,784,506	16,167,312
	<u>21,951,308</u>	<u>19,877,586</u>

10. Taxation

	2022 £	2021 £
Current tax on loss for the year	-	-
Total current tax	<u>-</u>	<u>-</u>

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

10. Taxation (continued)

Factors affecting tax charge for the year

	2022 £	As restated 2021 £
Loss before tax	<u>(24,609,371)</u>	<u>(30,334,298)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(4,675,780)	(5,763,517)
Effects of:		
Effect of DTA on losses carried forward	4,675,780	5,763,517
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

At the statement of financial position date the company has unused tax losses of £15,390,971 (2021 - 15,257,583) available for offset against future profits. Deferred taxes has not been recognised on these losses as the company does not considered them recoverable.

The Finance Act 2021 was substantively enacted in May 2021 and increased the corporation tax rate from 19% to 25% with effect from 1 April 2023.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

11. Tangible fixed assets

	Power plant and site £	Equipment & infrastructure £	Office equipment £	Workshop equipment £	Total £
Cost or valuation					
At 1 January 2022 (as restated)	146,058,751	590,734	14,905	92,403	146,756,793
Additions	987,783	-	-	-	987,783
Adjustments*	(10,950,000)	-	-	-	(10,950,000)
At 31 December 2022	136,096,534	590,734	14,905	92,403	136,794,576
Depreciation					
At 1 January 2022 (as restated)	17,115,231	482,892	10,889	68,526	17,677,538
Charge for the year	6,968,230	56,339	2,738	10,091	7,037,398
At 31 December 2022	24,083,461	539,231	13,627	78,617	24,714,936
Net book value					
At 31 December 2022	112,013,073	51,503	1,278	13,786	112,079,640
At 31 December 2021	128,943,520	107,842	4,016	23,877	129,079,255

The above assets have been pledged as security in respect of borrowings of the company.

* Represents liquidated damages received by the company during the year.

12. Stocks

	2022 £	2021 £
Stock of engineering parts	349,141	349,141
Stock of chemicals	114,180	114,180
Stock of wear parts	29,440	29,441
	492,761	492,762

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

13. Debtors

	2022 £	2021 £
Due after more than one year		
Interest rate swap liability	377,291	-
Due within one year		
Trade debtors	1,612,595	626,916
Other debtors	254,478	186,491
Prepayments and accrued income	2,424,733	837,752
	<u>4,669,097</u>	<u>1,651,159</u>

14. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>2,397,592</u>	<u>943,200</u>

Within the cash balance are amounts of restricted cash of £329,261 (2021 - £329,261).

15. Creditors: amounts falling due within one year

	2022 £	As restated 2021 £
Bank loans	9,073,949	44,580,773
Trade creditors	3,706,387	1,341,436
Amounts owed to related undertakings	-	460,858
Other taxation and social security	-	12,995
Obligations under finance lease and hire purchase contracts	-	5,449
Other creditors and accruals	1,076,747	3,089,239
	<u>13,857,083</u>	<u>49,490,750</u>

The bank loan is payable to Investec Bank plc in half yearly instalments and commenced on 31 December 2017. Floating interest is calculated based on SONIA plus Margin and is in monthly arrears. Margin of 3.75% per annum will be charged from the date of first utilisation up to and including commercial operations date. This will then be reduced to 3.25% per annum for a period of three years and go back up to 3.75% per annum thereafter.

The bank loan is secured by a floating charge over the assets of the company.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

15. Creditors: amounts falling due within one year (continued)

Terms and debt repayment schedule

	Currency	Nominal interest	Year of maturity
Bank loan	GBP	SONIA + 3.75%	2025
Loan from parent company	GBP	12% to 15%	2025 to 2031

16. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Bank loans	33,019,280	-
Loan from holding company (refer note 20)	165,030,194	145,745,687
Other creditors	-	4,200,000
Interest rate swap liability	-	388,035
	<u>198,049,474</u>	<u>150,333,722</u>

17. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's ordinary shares are classified as equity instruments.

18. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

19. Capital commitments

Amounts contracted but not provided in the financial statements amounted to £Nil as at 31 December 2022 (2021 - £988,000).

20. Related party transactions

	2022 £	2021 £
Entity with common directors		
Purchases of services	8,603,929	7,839,008
Payables	5,585,180	484,050
Sale of services	8,679,593	7,544,586
Receivables	165,030,194	648,189
 Loan payable to shareholders		
BIH (Levenseat) Limited	77,378,142	68,159,837
REEIFII Luxembourg Sarl	77,621,642	68,159,837
Levenseat Ltd	4,386,436	3,637,924

(a) This balance represents the proceeds of loan notes issued by Levenseat Renewable Energy Holdings Limited, the company's parent entity, which was subsequently loaned to Levenseat Renewable Energy Ltd. It is repayable in accordance with the terms and timetable of these loan note instruments, together with all interest accrued and any other amounts due by the company to the lender.

This loan bears interest at the rate of 12% (A notes) (2021 - 12%) and 15% (B notes) (2021 - 15%).

21. Prior period adjustments

The company has identified 2 prior period errors in a relation to measurement of bank loan and tangible assets.

Measurement of Bank Loan

The error to 31 December 2020 and 31 December 2021 was principally due to the understatement of finance expense on the bank loan. The correction at 31 December 2020 was to increase liabilities and finance expense by £3,528,343, resulting in a net decrease in retained earnings of £3,528,343 at 31 December 2020.

The correction at 31 December 2021 was to increase liabilities and finance expense by £1,034,988, resulting in a cumulative decrease in retained earnings of £4,563,331 at 31 December 2021.

Measurement of Tangible Assets

The error relates to research and development costs not capitalised in line with the requirements of FRS 102. The impact of this is in respect of 31 December 2020 is the addition to tangible assets of £12,735,938, resulting in a corresponding increase to retained earnings. The impact of this in respect of 31 December 2021 is the addition to tangible assets of £12,056,688, resulting in a corresponding increase to retained earnings. The income statement impact is corresponding charge of depreciation by £679,250.

Levenseat Renewable Energy Ltd

Notes to the Financial Statements (continued) For the Year Ended 31 December 2022

21. Prior period adjustments (continued)

1 January 2021

	As previously reported £	Adjustments £	As Restated £
Fixed Assets			
Tangible Assets	125,180,074	12,735,938	137,916,012
Creditors: amounts falling due within one year			
Bank Loan	(39,438,642)	(3,528,343)	(42,966,985)
Deficit			
Total Deficit	<u>(46,531,393)</u>	<u>9,207,595</u>	<u>(37,323,798)</u>

31 December 2021

	As previously reported £	Adjustments £	As Restated £
Fixed Assets			
Tangible Assets	117,022,567	12,056,688	129,079,255
Creditors: amounts falling due within one year			
Bank Loan	(40,017,442)	(4,563,331)	(44,580,773)
Deficit			
Total Deficit	<u>77,005,125</u>	<u>7,493,357</u>	<u>84,498,482</u>

22. Ultimate parent undertaking and controlling party

The company's parent undertaking is Levenseat Renewable Energy Holdings Limited, a company incorporated in Scotland. Its registered address is Levenseat Waste Management Site, Wilsontown, Forth, Lanark, United Kingdom, ML11 8EP. There is no controlling party.

23. Post balance sheet events

On 4th April 2023, an agreement was reached between Levenseat Renewable Energy Ltd & Outotec (UK) Ltd to terminate the O&M agreement following the decision by Outotec (UK) Ltd to withdraw from the waste to energy business in the UK. As of 1st of May 2023 the operation and management of the Energy from Waste facility at Levenseat, Forth, will become the responsibility of Levenseat Renewable Energy Ltd.