

SEM ENERGY (HOLDINGS) LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

SEM ENERGY (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	Adeeb Asfari John Jones Grant Leslie John Wilson
Registered number	SC600760
Registered office	17-19 Innovation Centre Aberdeen Science and Energy Park Bridge of Don Aberdeen AB23 8GX
Independent auditor	Anderson Anderson & Brown Audit LLP Kingshill View Prime Four Business Park Kingswells Aberdeen AB15 8PU

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Principal activity

The principal activity of the group continues to be heavily focused towards waste and water treatment technology developments. These technologies are being created for multiple markets including, Oil & Gas, Marine, Agriculture and Food & Drink. SEM offering also extends to Environmental Consultancy with the main aim to reduce operational and environmental inefficiencies with new/ alternative products or solutions. All technologies being developed, are aimed towards a circular economy, from processing waste through an enclosed system and returning both a water stream that is of quality for reuse or repurpose and a coproduct, that has a tradable value and can be sold into the market.

Our goal is working towards a waste-free, circular economy in the future, helping to secure our planet's health and wealth for generations to come. We are passionate about sustaining the planet, people and profit in equal measure.

Business review

2021 has been a continuation of 2020 where the group sought further streamlining of its business and operations to progress through the extend Covid period. Significant impact from the global supply chain, particularly in specialist steels and electronic components had taken its toll on the business in both its contracted projects in addition to the research & development activities.

The group added key technical resources of engineering and science expertise, which has supported the business' efforts to further enhance its intellectual property and technology efficiencies.

Key focus has been firmly placed on its PLUTUS business in Shetland, Scotland where investment has been made to install upgrades to the facility. The investment has seen taking it from a storage and processing facility for Salmon Category 2 silage, to maximising the recovery of core nutrients in oil, solids and water status and working towards the end goal in 2022, to producing EN standard biofuels. Baseline carbon assessments of the operation versus the status quo has also been completed, highlighting potentially significant carbon savings. Attraction and sales enquiries from across key fish farming regions across the world including Canada, North America and Europe provides the company confidence in the pipeline.

In parallel, the group continues to develop its H2OPE technology focusing initially in the UK and Ireland Biogas sector but through a government funded programme, Innovate UK, it looks to be developing a similar solution for Agriculture long-term. Both markets should see prototypes being demonstrated in their respective markets by late 2023, early 2024. The group's healthy pipeline derives from both of these markets where a global scale challenge in heavy polluted slurries being treated onsite, to recover the valuable nutrients, to produce a high-in-demand bio fertiliser.

As such, the group has engaged with advisers Jefferies to commence a growth capital raise to enable the company to capitalise on both its short term and long term opportunities. Target to complete subject to interest, will be end of 2022, early 2023.

International entities in both Oman and The Netherlands have seen slower progress due to Covid and the company will assess the priorities and resources required as part of its ongoing strategic review.

Further interest in the business continues from a plethora of stakeholders from governments, trade associations, environmental agencies, industry partners and customers in the core markets of Agriculture, Biogas and Food & Drink markets. The company has been assessing the correct option for carbon emission monitoring and disclosures and look to formalise its choice looking ahead in 2023. The group continues to have its own carbon footprint assessed by a third party provider in One Carbon World and provided support to One Carbon World at COP 27 in 2022.

Across the business there is the enduring commitment to being at the forefront of sustainable technology and have continued to invest in and protect our intellectual properties.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Business review (continued)

Turnover in the year was £2,486,481 (2020: £448,950). Revenue was generated mainly from the group's engineering consultancy services for a large corporate client in addition to supply key commodity solutions and its distribution agreement for a first-of-its-kind, live water monitor quality monitoring device across the Food & Drink markets. The operating loss was £3,174,576 (2020: £2,917,301) reflecting further investment to support the group whilst its key technologies are being developed towards commercialisation, adding experienced team members and the costs of supporting the group in international markets.

The passion for sustainability is one that is shared across the team at SEM and this has driven the strong progress made during the last 12 months. The group is very enthusiastic of the opportunities that have been presented to the group from its core markets.

Directors

The directors who served during the year were:

Adeeb Asfari
John Jones
Grant Leslie
John Wilson

Principal risk and uncertainties

As with any new product development, testing and qualification outcomes can be unknown and unpredictable and as such can delay the target date for commercialisation and whilst during a global Pandemic such as Covid, made things extremely challenging, like for most small-medium enterprises. The group has taken precautionary actions, to ensure business continuity and that its disrupting technologies continues to be progressed towards market deployment.

Research and development activities

The group continues to enhance and develop through research and simulations of its resource recovery and by-product creating solutions, across both core and mid-term markets.

Disclosure of information to auditor

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

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

Auditor

The auditor, Anderson Anderson & Brown Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

SEM ENERGY (HOLDINGS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Small companies note

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

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

Grant Leslie
Director

Date: 8 December 2022

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEM ENERGY (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of SEM Energy (Holdings) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's 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.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that required funding has not been secured as at the date of signing. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEM ENERGY (HOLDINGS) LIMITED (CONTINUED)

Other information

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Group strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEM ENERGY (HOLDINGS) LIMITED (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 Group financial statements

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

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were the Companies Act 2006 and UK Taxation legislation.

We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- timing and completeness of revenue recognition;
- compliance with relevant laws and regulations which may impact on the financial statements and those that the company needs to comply with for the purpose of trading;
- management judgements applied in calculating provisions; and
- management override of controls to manipulate the Company's key performance indicators to meet targets.

We discussed these risks with client management, designed audit procedures to address these risks including:

- reviewed internal documentation and correspondence with regulators for evidence or irregularities;
- testing the timing and completeness of revenue;
- consideration of the assumptions applied whether the judgements applied in calculation of provisions were appropriate;
- reviewed areas of judgement and tested a sample of journal entries for indicators of management bias; and
- performed analytical procedures to identify any unusual or unexpected relationships which may be an indication of material misstatement due to fraud.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEM ENERGY (HOLDINGS) LIMITED (CONTINUED)

Use of our report

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

Derek Mair (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown Audit LLP

Statutory Auditor

Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU

8 December 2022

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Turnover	2,486,481	448,950
Cost of sales	(2,286,158)	(329,356)
Gross profit	200,323	119,594
Operational costs	(1,399,704)	(772,559)
Administrative expenses	(2,154,391)	(2,316,642)
Other operating income	161,367	52,306
Operating loss	(3,192,405)	(2,917,301)
Interest receivable and similar income	-	2,811
Interest payable and expenses	(1,631)	(2,824)
Loss before taxation	(3,194,036)	(2,917,314)
Tax on loss	339,231	342,769
Loss for the financial year	(2,854,805)	(2,574,545)
(Loss) for the year attributable to:		
Non-controlling interests	(36,293)	(16,724)
Owners of the parent Company	(2,818,512)	(2,557,821)
	(2,854,805)	(2,574,545)

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 14 to 24 form part of these financial statements.

SEM ENERGY (HOLDINGS) LIMITED**REGISTERED NUMBER: SC600760****CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	4	1,406,960	1,619,314
Tangible assets	5	2,364,459	790,949
		<u>3,771,419</u>	<u>2,410,263</u>
Current assets			
Stocks		107,753	88,401
Debtors: amounts falling due within one year	7	893,024	1,902,946
Cash at bank and in hand	8	162,116	351,132
		<u>1,162,893</u>	<u>2,342,479</u>
Creditors: amounts falling due within one year	9	(1,333,008)	(1,847,772)
Net current (liabilities)/assets		<u>(170,115)</u>	<u>494,707</u>
Total assets less current liabilities		<u>3,601,304</u>	<u>2,904,970</u>
Net assets		<u>3,601,304</u>	<u>2,904,970</u>
Capital and reserves			
Called up share capital	11	8,978	7,884
Share premium account		12,788,660	9,238,615
Profit and loss account		(9,147,880)	(6,329,368)
Equity attributable to owners of the parent Company		<u>3,649,758</u>	<u>2,917,131</u>
Non-controlling interests		(48,454)	(12,161)
		<u>3,601,304</u>	<u>2,904,970</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

Grant Leslie

Director

Date: 8 December 2022

The notes on pages 14 to 24 form part of these financial statements.

SEM ENERGY (HOLDINGS) LIMITED**REGISTERED NUMBER: SC600760****COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
Fixed assets			
Investments	6	1,626,269	1,626,269
		<u>1,626,269</u>	<u>1,626,269</u>
Current assets			
Debtors: amounts falling due after more than one year	7	11,044,295	7,259,919
Debtors: amounts falling due within one year	7	463	751
Cash at bank and in hand	8	19,617	62,501
		<u>11,064,375</u>	<u>7,323,171</u>
Creditors: amounts falling due within one year	9	(15,050)	-
Net current assets		<u>11,049,325</u>	<u>7,323,171</u>
Total assets less current liabilities		<u>12,675,594</u>	<u>8,949,440</u>
Net assets		<u><u>12,675,594</u></u>	<u><u>8,949,440</u></u>
Capital and reserves			
Called up share capital	11	8,978	7,884
Share premium account		12,788,660	9,238,615
Profit and loss account brought forward		(297,059)	(439,865)
Profit for the year		<u>175,015</u>	<u>142,806</u>
Profit and loss account carried forward		<u>(122,044)</u>	<u>(297,059)</u>
		<u><u>12,675,594</u></u>	<u><u>8,949,440</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

Grant Leslie
Director

Date: 8 December 2022

The notes on pages 14 to 24 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Profit and loss account £	Non-controlling interests £	Total equity £
At 1 January 2020	7,489	6,785,361	(3,771,547)	4,563	3,025,866
Loss for the year	-	-	(2,557,821)	(16,724)	(2,574,545)
Shares issued during the year	395	2,453,254	-	-	2,453,649
At 1 January 2021	7,884	9,238,615	(6,329,368)	(12,161)	2,904,970
Loss for the year	-	-	(2,818,512)	(36,293)	(2,854,805)
Shares issued during the year	1,094	3,550,045	-	-	3,551,139
At 31 December 2021	<u>8,978</u>	<u>12,788,660</u>	<u>(9,147,880)</u>	<u>(48,454)</u>	<u>3,601,304</u>

The notes on pages 14 to 24 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2020	7,489	6,785,361	(439,865)	6,352,985
Profit for the year	-	-	142,806	142,806
Shares issued during the year	395	2,453,254	-	2,453,649
At 1 January 2021	7,884	9,238,615	(297,059)	8,949,440
Profit for the year	-	-	175,015	175,015
Shares issued during the year	1,094	3,550,045	-	3,551,139
At 31 December 2021	<u>8,978</u>	<u>12,788,660</u>	<u>(122,044)</u>	<u>12,675,594</u>

The notes on pages 14 to 24 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

The company is a private limited company registered in the United Kingdom. The registered office is 17-19 Innovation Centre, Aberdeen Science and Energy Park, Bridge of Don, Aberdeen, AB23 8GX.

The principal activity of the company is that of a holding company, and also to provide personnel to the group. The principal activity of the subsidiaries is the research and development of environmentally friendly waste solution products.

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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The group reported a loss of £2,854,805 (2020 - £2,574,545) for the year and net assets totalling £3,601,304 (2020 - £2,904,970). The company has net assets of £12,675,594 (2020 - £8,949,440).

Since the year end the existing investor has provided a loan of £1.5m to allow the group to meet its financial obligations. The directors have prepared forecasts and this shows as the group moves to the commercialisation phase of the waste and water treatment technology there is a requirement for additional funding.

The group is currently in discussions with investors to secure additional funding which will allow the group to finalise the development phase of the products and to help with the working capital needs. There is no signed agreement in place as at the date of signing of the accounts and as a result there is an uncertainty with regards to the going concern basis of the financial statements. However, the directors are confident the funding will be concluded in early 2023 and as a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.7 Research and development

All costs incurred in relation to research and development are written off to the statement of comprehensive income as incurred.

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

2.9 Interest income

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

2.10 Finance costs

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

2.11 Borrowing costs

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

2.12 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.13 Taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.14 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.15 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.

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

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 on the following basis:

Plant and machinery	- 4 years
Motor vehicles	- 4 years
Office equipment	- 3 years
Computer equipment	- 3 years
Assets under construction	- Not depreciated

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

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

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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 profit or loss.

2.18 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.

2.19 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.

2.20 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.

2.21 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

3. Employees

The average monthly number of employees, including directors, during the year was 30 (2020 - 25).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Intangible assets

Group and Company

	Patents £	Goodwill £	Total £
Cost			
At 1 January 2021	840	2,122,707	2,123,547
At 31 December 2021	840	2,122,707	2,123,547
Amortisation			
At 1 January 2021	91	504,142	504,233
Charge for the year on owned assets	84	212,270	212,354
At 31 December 2021	175	716,412	716,587
Net book value			
At 31 December 2021	665	1,406,295	1,406,960
At 31 December 2020	749	1,618,565	1,619,314

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. Tangible fixed assets

Group

	Plant and machinery £	Motor vehicles £	Rental assets £	Office equipment £	Computer equipment £	Assets under construction £	Total £
Cost or valuation							
At 1 January 2021	354,328	2,660	193,038	19,338	114,471	399,734	1,083,569
Additions	-	-	25,780	1,066	14,187	1,732,382	1,773,415
Disposals	(1,200)	-	-	-	(19,602)	(65,179)	(85,981)
Transfers between classes	(17,938)	-	17,938	-	-	-	-
					109,056		
At 31 December 2021	335,190	2,660	236,756	20,404		2,066,937	2,771,003
Depreciation							
At 1 January 2021	151,817	1,385	35,866	15,714	87,838	-	292,620
Charge for the year on owned assets	83,397	665	21,852	3,066	24,552	-	133,532
Disposals	(650)	-	-	-	(18,958)	-	(19,608)
Transfers between classes	(2,582)	-	2,582	-	-	-	-
					93,432		
At 31 December 2021	231,982	2,050	60,300	18,780		-	406,544
Net book value							
At 31 December 2021	103,208	610	176,456	1,624	15,624	2,066,937	2,364,459
At 31 December 2020	202,511	1,275	157,172	3,624	26,633	399,734	790,949

SEM ENERGY (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6. Fixed asset investments

Company

	Unlisted investments £
Cost or valuation	
At 1 January 2021	1,626,269
At 31 December 2021	<u>1,626,269</u>

SEM Energy (Holdings) Limited owns 100% of the issued share capital in each of the following companies:

SEM Energy Limited - a company registered in the United Kingdom.

Enren Technologies Ltd - a company registered in the United Kingdom.

Epona Technologies Limited - a company registered in the United Kingdom.

SEM Energy Limited also owns 85% of the share capital in SEM Energy B.V, a company registered in Holland. During the year, SEM Energy Limited invested in a joint venture, Soniflush Limited.

7. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts owed by group undertakings	-	-	11,044,295	7,259,919
	<u>-</u>	<u>-</u>	<u>11,044,295</u>	<u>7,259,919</u>
	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	96,129	1,179,917	-	-
Amounts owed by related parties	116,383	102,617	-	-
Other debtors	238,500	181,164	463	314
Prepayments and accrued income	85,956	87,308	-	437
Tax recoverable	356,056	351,940	-	-
	<u>893,024</u>	<u>1,902,946</u>	<u>463</u>	<u>751</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Cash and cash equivalents

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	162,116	351,132	19,617	62,501
Less: bank overdrafts	-	(459)	-	-
	<u>162,116</u>	<u>350,673</u>	<u>19,617</u>	<u>62,501</u>

9. Creditors: Amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank overdrafts	-	459	-	-
Trade creditors	509,035	143,589	-	-
Other taxation and social security	342,214	313,558	14,950	-
Other creditors	186,672	127,044	100	-
Accruals and deferred income	295,087	1,263,122	-	-
	<u>1,333,008</u>	<u>1,847,772</u>	<u>15,050</u>	<u>-</u>

10. Financial instruments

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Financial assets				
Financial assets measured at fair value through profit or loss	<u>161,960</u>	<u>350,673</u>	<u>19,617</u>	<u>62,501</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
50,000 (2020 - 50,000) A1 Ordinary shares of £0.10 each	5,000	5,000
117,239 (2020 - 81,735) A Ordinary shares of £0.01 each	1,172	817
10,670 (2020 - 10,670) B Ordinary shares of £0.10 each	1,067	1,067
75,000 (2020 - 75,000) C Ordinary shares of £0.01 each	750	750
2,500 (2020 - 2,500) D Ordinary shares of £0.10 each	250	250
7,394 (2020 - NIL) E Ordinary shares of £0.10 each	739	-
	<u>8,978</u>	<u>7,884</u>

A1, A, B and D shares carry full voting and dividend rights.

C shares do not carry any voting or dividend rights.

Upon a distribution of assets on a liquidation or return of capital, A and B shares rank in priority to any other classes of shares.

During the year there were 35,504 A Ordinary shares and 7,394 E Ordinary shares allotted.

12. Capital commitments

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

	Group 2021 £	Group 2020 £
Contracted for but not provided in these financial statements	3,335,330	689,214
	<u>3,335,330</u>	<u>689,214</u>

13. Pension commitments

The Group contributes to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £7,468 (2020 - £11,908) were payable to the fund at the Balance sheet date and are included within creditors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Commitments under operating leases

At 31 December 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Land and Buildings		
Not later than 1 year	71,851	71,851
Later than 1 year and not later than 5 years	46,000	115,000
	<u>117,851</u>	<u>186,851</u>
	Group 2021 £	Group 2020 £
Other		
Not later than 1 year	4,877	59,588
Later than 1 year and not later than 5 years	507	5,384
	<u>5,384</u>	<u>64,972</u>

15. Related party transactions

The Group has taken advantage of the exemption given by section 1AC.35 of FRS 102, which allows exemption from disclosure of related party transactions with Group companies which are 100% owned.

During the period there were transactions totalling £13,766 with a company in which there are common directors. The amount outstanding at the year end was £ 116,383 (2020 - £102,617) due to SEM Energy Limited.

During the period there were movements on loans with two directors. The balances outstanding at the year end were £65,489 due to SEM Energy Limited and £15,209 due to a director (2020 - £11,845 and £44,039 due to SEM Energy Limited).

16. Controlling party

There is no ultimate controlling party of SEM Energy (Holdings) Limited.

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