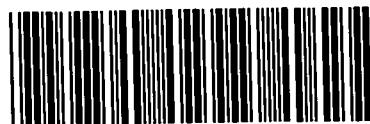


Registered Number: 09209582

Mersey Bioenergy Holdings Limited
Annual Report and Financial Statements
31st December 2022

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Company Information

Registered Number: 09209582

Directors

R Jenkins (resigned 3rd August 2023)

KV Larsen (resigned 3rd August 2023)

AN Mayo

MS Roberts (appointed 25th September 2023)

Secretary

None

Registered Office

28 Austin Friars

London

EC2N 2QQ

Independent Auditor

BDO LLP

55 Baker Street

Marylebone

London

W1U 7EU

Strategic Report

The directors of Mersey Bioenergy Holdings Limited (the “Company”) and its subsidiary (the “Group”) present their Strategic Report for the year ended 31st December 2022.

Review of the business and principal activities

The principal activities of the Group are to operate a 20.2MWe, 7.8MWth Combined Heat and Power Plant (CHP) in Widnes, Merseyside.

The results for the Group for the year are set out in the Consolidated Statement of Comprehensive Income. The loss for the financial year of the Group is £1,340,000 (2021: £4,898,000), principally driven by interest on debt and depreciation. Profit before interest, tax and depreciation was £21,799,000 (2021: £14,506,000).

Principal risks and uncertainties

The project is now in its operational phase and operational risks are monitored closely. The operations of the facilities are subcontracted to Burmeister and Wain Scandinavian Contractor A/S (“BWSC”). The majority of the Group’s revenue is generated from the sale of electric output and Renewables Obligation Certificates (“ROCs”), with the credit risk of British Gas. The Group also entered into an agreement to supply Heat Energy to a third party.

Legislative risk

The energy industry is particularly susceptible to legislative changes specifically in regard to government incentive and benefit plans for green energy which could have a significant impact on future revenues.

Interest rate risk

The Group’s principal financial instruments comprise of shareholder loans and external debt as outlined in notes 14 and 18. The senior loan is exposed to interest rate risk.

The Group has entered into fixed interest rate swap agreements to avoid volatility in 80% of debt service costs on its floating rate senior loan. It is considered that these agreements constitute cashflow hedges.

The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group’s trading activities.

Insurance risk

The Group is exposed to the conditions prevailing in the insurance market at each renewal date. The directors manage this through close monitoring of the claims record of the project and through employing experienced brokering organisations to obtain competitive insurance terms.

Liquidity risk

The latest financial forecasts show that revenue received will be sufficient to repay senior debt as they fall due. The Group relies on financing and covenant compliance.

Credit risk

The Group will receive its revenue from an established provider and government therefore is not exposed to significant credit risks. The Group holds bank accounts and enters into interest rate swap agreements with financial institutions. The effectiveness of these is reviewed on a regular basis.

Price risk

A significant proportion of the Group’s forecast income is subject to the price of power and ROCs buyout price.

Strategic Report (continued)

Going concern

The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the Annual Financial Statements.


Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the Financial Statements, note 1.2 'Going concern'.

Future developments and events after the balance sheet date

In May 2023, a new Evero Group debt facility was agreed that matures in December 2027.

Amounts from this facility were used to purchase the external debt and the entire share capital of the Company in August 2023 for £98,218,000 so that the Company is now 100% owned by the Evero Group.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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AN Mayo

Director

6th of February 2024

Directors' Report

The Directors present their report with the audited Financial Statements of the Group and Company for the year ended 31st December 2022.

Principal activities

The principal activities of the Group are to operate a 20.2MWe, 7.8MWth Combined Heat and Power Plant (CHP) in Widnes, Merseyside.

Dividends

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 year and to the date of this report were as follows:

R Jenkins (resigned 3rd August 2023)

KV Larsen (resigned 3rd August 2023)

AN Mayo

MS Roberts (appointed 25th September 2023)

No director had an interest in the share capital of the Company at the balance sheet 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 balance-sheet date

Future developments and risk management policies are outlined in the Strategic Report on pages 3 and 4.

Directors' statements 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:

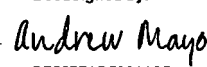
- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information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

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.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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AN Mayo

Director

6th February 2024

Directors' Responsibility Statement

The directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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) including FRS 102.

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 Group and the Company and of the profit or loss of the Group and 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.

Independent Auditor's Report to the Members of Mersey Bioenergy Holdings Limited

Opinion on the financial statements

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 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mersey Bioenergy Holdings Limited ("the Parent Company") and its subsidiary ("the Group") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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 Group and the Parent 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.

Conclusions relating to going concern

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.

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report, 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 Group and the Parent 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 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.

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 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.

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

The Group 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 be 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 Group'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.

Based on our risk assessment, we considered the area's most susceptible to fraud to be Revenue Recognition and Management Override of Controls.

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;
- identifying and testing journals, in particular journal entries posted with unusual account combinations, journal entries posted to revenue, postings by unusual users or with unusual descriptions;
- Assessing significant estimates made by management for bias and challenging assumptions and judgements made by management in their critical accounting estimates; and
- Performing a detailed review of the year end adjusting entries and investigating any that appear unusual as to nature or amount;

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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Marc Reinecke

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

06 February 2024

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

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2022

	Notes	2022 £000	2021 £000
Revenue	2	38,342	29,635
Costs of sales		<u>(21,062)</u>	<u>(19,632)</u>
Operating profit	3	17,280	10,003
Interest receivable	5	4	4
Interest payable	6	(15,448)	(14,621)
Profit/(loss) before tax		<u>1,836</u>	<u>(4,614)</u>
Taxation	7	(3,176)	(284)
Loss for the year		<u><u>(1,340)</u></u>	<u><u>(4,898)</u></u>
Other comprehensive income			
Net change in fair value of cashflow hedges		3,934	2,238
Income tax relating to other comprehensive income	7	<u>(984)</u>	<u>(280)</u>
Other comprehensive income for the year, net of income tax		2,950	1,958
Total comprehensive income/(loss) for the year		<u><u>1,610</u></u>	<u><u>(2,940)</u></u>

All activities relate to continuing operations.


The notes on pages 16 to 29 form an integral part of these Financial Statements.

Consolidated Statement of Financial PositionAt 31st December 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Tangible assets	9	76,757	81,276
Derivative asset	11	1,207	-
		<u>77,964</u>	<u>81,276</u>
Current assets			
Trade and other receivables	11	9,940	15,350
Inventory		73	52
Cash and bank balances		<u>14,711</u>	<u>5,143</u>
		<u>24,724</u>	<u>20,545</u>
Current liabilities			
Trade and other payables	12	(67,192)	(72,042)
Net current liabilities		<u>(42,468)</u>	<u>(51,497)</u>
Total assets less current liabilities		<u>35,496</u>	<u>29,779</u>
Non-current liabilities			
Trade and other payables	12	(75,282)	(72,986)
Deferred tax	13	(1,811)	-
		<u>(77,093)</u>	<u>(72,986)</u>
Net liabilities		<u>(41,597)</u>	<u>(43,207)</u>
Capital and reserves			
Share capital	15	500	500
Cash flow hedging reserve	16	1,140	(1,810)
Retained losses		(43,237)	(41,897)
Shareholders' deficit		<u>(41,597)</u>	<u>(43,207)</u>

The notes on pages 16 to 29 form an integral part of these Financial Statements.

The Financial Statements of Mersey Bioenergy Holdings Limited (registered number 09209582) were approved by the board of directors and authorised for issue on 6th February 2024. They were signed on its behalf by:

DocuSigned by:

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AN Mayo

Director


Company Statement of Financial Position
At 31st December 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Investments	10	500	500
Trade and other receivables due in more than one year	11	<u>41,510</u>	<u>55,259</u>
		42,010	55,759
Current assets			
Trade and other receivables due within one year	11	<u>70,638</u>	<u>54,665</u>
Total current assets		70,638	54,665
Current liabilities			
Trade and other payables	12	<u>(61,208)</u>	<u>(65,256)</u>
Net current assets		9,430	(10,591)
Non-current liabilities			
Trade and other payables	12	<u>(50,940)</u>	<u>(44,668)</u>
Net assets		<u>500</u>	<u>500</u>
Equity			
Share capital	15	<u>500</u>	<u>500</u>
Total equity		<u>500</u>	<u>500</u>

The notes on pages 16 to 29 form an integral part of these Financial Statements.

The company has taken the exemption from preparing a Company Statement of Comprehensive Income in line with s408 of the Companies Act 2006.

The Financial Statements of Mersey Bioenergy Holdings Limited (registered number 09209582) were approved by the board of directors and authorised for issue on 6th February 2024. They were signed on its behalf by:

DocuSigned by:

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AN Mayo

Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2022

	Share capital £000	Retained losses £000	Cash flow hedging reserve £000	Total equity £000
At 1 st January 2021	500	(36,999)	(3,768)	(40,267)
Total comprehensive loss	-	(4,898)	1,958	(2,940)
At 31 st December 2021	500	(41,897)	(1,810)	(43,207)
Total comprehensive profit	-	(1,340)	2,950	1,610
At 31 st December 2022	500	(43,237)	1,140	(41,597)

Company Statement of Changes in Equity

For the year ended 31st December 2022

	Share capital £000	Retained earnings £000	Total equity £000
At 1 st January 2021	500	-	500
Result for the year	-	-	-
At 31 st December 2021	500	-	500
Result for the year	-	-	-
At 31 st December 2022	500	-	500

The notes on pages 16 to 29 form an integral part of these Financial Statements.

Consolidated Cashflow Statement

For the year ended 31st December 2022

	Notes	2022 £000s	2021 £000s
Net cash inflow from operating activities	17	24,493	11,009
Investing activities			
Purchase of property, plant and equipment	9	-	(292)
Net cash outflow from investing activities		-	(292)
Financing activities			
Principal paid on loans		(12,948)	(6,391)
Interest paid on loans		(1,956)	(5,622)
Agency fees paid on loans		(25)	(25)
Bank interest received		4	4
Net cash outflow from financing activities		(14,925)	(12,034)
Net increase/(decrease) in cash and cash equivalents		9,568	(1,317)
Cash and cash equivalents at beginning of year		5,143	6,460
Cash and cash equivalents at end of year		<u>14,711</u>	<u>5,143</u>

The notes on pages 16 to 29 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Basis of preparation

Mersey Bioenergy Holdings Limited ("the Company") is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The registered office is stated on page 2.

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These Group and parent company's Financial Statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102, issued in July 2015 and effective immediately, have been applied.

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these Financial Statements.

These Financial Statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Amounts are rounded to the nearest thousand, unless otherwise stated.

The Financial Statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

There were no new accounting standards effective in current or future periods which had, or are expected to have, a material impact on the Financial Statements of the Group or Company.

Financial Reporting Standard 102 - reduced disclosure exemptions

The parent company is included in the Consolidated Financial Statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- the reconciliation of the number of shares outstanding from the beginning to the end of the year has not been included a second time;
- no separate parent company Cashflow Statement with related notes is included; and
- key management personnel compensation has not been included a second time.

1.1 Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st December each year. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The subsidiary included in these consolidated accounts is Mersey Bioenergy Limited.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the Consolidated Income Statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Notes to the Financial Statements (continued)

1.2 Going concern

The Group currently has £139,139,000 (2021: £138,626,000) of total debt and made a pre-tax profit of £1,836,000 (2021: loss of £4,614,000).

The Group is financed by a combination of equity and debt. The Group's debt both long and short term consists of shareholder loans and external debt as outlined in notes 14 and 18.

The Company has prepared detailed forecasts and projections to February 2025, taking account of reasonably possible changes in trading performance, which show that it is expected to make reasonable trading profit before interest and should be able to operate within the level of its current parent company loan facilities. The Company's analysis demonstrates that it remains within loan covenants during periods under which power prices remain at a sustained depressed level well below current industry forecasts and independent forecasts. The Company has also entered into power hedging arrangements to fix the price of a portion of its energy generation which serves as a protection against low power prices.

As such, the Directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis. The Directors review and monitor cashflows monthly, along with regular operations reports.

1.3 Significant accounting policies

Revenue

Revenue represents amounts receivable for goods or services provided to customers in the normal course of business, net of trade discounts, VAT and other sales-related taxes and excluding transactions between Group companies.

Revenues from the sale of electricity are measured based upon metered output delivered at rates specified under contract terms or prevailing market rates as applicable.

The Group is eligible to earn Renewable Obligation Certificates ("ROCs") under the UK Government's Renewables Obligation ("RO") regime. The financial benefit of a ROC is recognised in the income statement in revenue at the point the relevant renewable biomass fuel is used and power dispatched.

The Group is also eligible to earn Renewable Heat Incentives ("RHI"). The financial benefit of RHI is recognised in the income statement in revenue at the point the relevant renewable biomass fuel is used to generate heat.

Operating profit

Operating profit is stated before interest receivable and interest payable.

Notes to the Financial Statements (continued)

1.3 Significant accounting policies (continued)

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate 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.

Borrowing costs

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

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

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

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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance-sheet 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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised:

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 balance-sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group 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 Group 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 profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, being 20 years.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Notes to the Financial Statements (continued)

1.3 Significant accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

Hedge accounting

The Group has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cashflow risk on its variable rate debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cashflow hedge reserve. This amount is reclassified from the cashflow hedge reserve to profit or loss in the same period or periods during which the hedged expected future cashflows affect profit or loss. Any ineffective portions of those movements are recognised in profit or loss for the period.

Fair-value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value, as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cashflows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cashflows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the Financial Statements (continued)

1.3 Significant accounting policies (continued)

Impairment excluding deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets on a pro rata basis. Impairment losses recognised for the assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange per forward contract. There are no monetary assets and liabilities denominated in foreign currencies at the balance-sheet date.

Share capital

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

1.4 Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 1.3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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.

Notes to the Financial Statements (continued)

2. Revenue

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

	2022 £000	2021 £000
Power revenues	<u>38,342</u>	<u>29,635</u>

Turnover from operational services arise from electricity revenue, embedded benefits, Renewable Obligation Certificates ("ROCS") and Renewable Heat Incentive ("RHI").

The turnover and profit on ordinary activities before taxation arise entirely within the United Kingdom.

3. Operating profit

Operating profit before tax is stated after charging:

	2022 £000	2021 £000
Depreciation – owned assets	4,519	4,503
Fees payable to the Company's auditor:		
- Audit fees of the Company and its subsidiary	39	27
- Other non-audit services	<u>-</u>	<u>-</u>

4. Employees and directors

The Group had no employees during the year (2021: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges. The directors received no remuneration for their services during the year (2021: £nil). A payment is made for the services of the non-executive directors to their employer.

Total fees paid to related parties in respect of directors' services was £110,000 (2021: £103,000).

5. Interest receivable

	2022 £000	2021 £000
Bank interest receivable	<u>4</u>	<u>4</u>

Notes to the Financial Statements (continued)**6. Interest payable and similar charges**

	2022 £000	2021 £000
Senior loan interest payable	2,110	2,080
Other loan interest payable	13,327	12,541
Other interest payable	11	-
	<u>15,448</u>	<u>14,621</u>

7. Taxation**Analysis of tax charge arising in the year**

	Note	2022 £000	2021 £000
Current tax		217	-
Deferred tax	12	2,959	284
Total tax charge for the year		<u>3,176</u>	<u>284</u>

Factors affecting the current tax charge for the year

The charge for the year can be reconciled to the loss in the profit and loss account as follows:

	2022 £000	2021 £000
Profit/(loss) before tax	1,836	(4,614)
Profit/(loss) before tax multiplied by the standard rate of tax in the UK of 19% (2021: 19%)	349	(878)
Expenses not deductible for tax purposes	2	219
Depreciation in excess of capital allowances	204	-
Change in unrecognised deferred tax assets	(1)	667
Effect of rate change on deferred tax assets	641	(367)
Interest non-deductible for tax purposes	1,696	941
Prior year adjustments	285	(298)
Total tax charge	<u>3,176</u>	<u>284</u>

Tax effects relating to effects of other comprehensive income

	Gross £000	Tax £000	Net £000
2022			
Net change in fair value of cash flow hedges	<u>3,934</u>	<u>(984)</u>	<u>2,950</u>
2021			
Net change in fair value of cash flow hedges	<u>2,238</u>	<u>(280)</u>	<u>1,958</u>

Notes to the Financial Statements (continued)

7. Taxation (continued)

Factors that might affect the future tax charge

At the balance-sheet date, the Group has unused tax losses of £10,936,000 (2021: £15,184,000) available for offset against future profits. Deferred tax has been recognised on these losses to the extent that recovery is probable, see note 13.

8. Dividends

No dividends were declared during the year (2021: £nil).

9. Tangible fixed assets

	Freehold Land £000	Plant and Machinery £000	Total £000
Cost			
At 1 st January 2022	2,080	100,762	102,842
Additions	-	-	-
At 31 st December 2022	<u>2,080</u>	<u>100,762</u>	<u>102,842</u>
Accumulated depreciation			
At 1 st January 2022	-	21,566	21,566
Charge for the year	-	4,519	4,519
At 31 st December 2022	<u>-</u>	<u>26,085</u>	<u>26,085</u>
Net book value			
At 31 st December 2021	<u>2,080</u>	<u>79,196</u>	<u>81,276</u>
At 31 st December 2022	<u>2,080</u>	<u>74,677</u>	<u>76,757</u>

10. Investments (Company only)

	2022 £000	2021 £000
Investments held at cost		
Balance at start and end of the year	<u>500</u>	<u>500</u>

Investments represent unlisted shares in subsidiary undertakings.

Investments in subsidiary undertakings

The Company has investments in the following subsidiary undertakings:

Company name	Country of incorporation	Holding
Mersey Bioenergy Limited ¹	England	100%

¹ Registered office is 28 Austin Friars, London EC2N 2QQ.

Notes to the Financial Statements (continued)**11. Trade and other receivables****Amounts falling due within one year**

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Amounts owed by Group undertakings	-	-	70,181	54,665
Trade debtors	17	2,542	-	-
Prepayments and accrued income	9,609	10,676	-	-
Other debtors	-	2,132	-	-
Derivative asset	314	-	-	-
	<u>9,940</u>	<u>15,350</u>	<u>70,181</u>	<u>54,665</u>

Other debtors relate to deferred tax (see note 13)

Amounts falling due in more than one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Amounts owed by group undertakings	-	-	41,510	55,259
Derivative assets	1,207	-	-	-
	<u>1,207</u>	<u>-</u>	<u>41,510</u>	<u>55,259</u>

12. Trade and other payables**Amounts falling due within one year**

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Senior loan (note 14)	2,725	2,317	-	-
Other loans (see note 14)	61,132	65,239	61,207	65,256
Trade creditors	363	612	-	-
Other taxation and social security	444	1,033	-	-
Accrued expenses	2,311	2,343	1	-
Derivative liabilities	-	498	-	-
Corporation tax	217	-	-	-
	<u>67,192</u>	<u>72,042</u>	<u>61,208</u>	<u>65,256</u>

Amounts falling due after more than one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Senior loan (note 14)	24,286	26,408	-	-
Other loans (see note 14)	50,996	44,662	50,940	44,668
Derivative liabilities	-	1,916	-	-
	<u>75,282</u>	<u>72,986</u>	<u>50,940</u>	<u>44,668</u>

Notes to the Financial Statements (continued)**13. Deferred tax**

	Losses £000	Fixed assets £000	Cashflow hedges £000	Total £000
At 1 st January 2021	-	1,812	884	2,696
Credit/(charge) for the year	172	(456)	(280)	(564)
At 31 st December 2021	172	1,356	604	2,132
Charge for the year	(172)	(2,787)	(984)	(3,943)
At 31 December 2022	-	(1,431)	(380)	(1,811)

	2022 £000	2021 £000
Analysis of deferred tax charge		
Recognised in profit and loss	(2,959)	(284)
Recognised in other comprehensive income	(984)	(280)
	<u>(3,943)</u>	<u>(564)</u>

The corporation tax rate in the UK for the year was 19% (2021: 19.0%) which has been applied by the Company in calculating its corporation tax charge (see note 7). All deferred tax assets and liabilities as at 31st December 2022 are calculated using a rate of 25% (2021: 25%).

14. Loans

An analysis of the maturity of loans is given below:

	Group 2022 £000s	Group 2021 £000s	Company 2022 £000s	Company 2021 £000s
Amounts falling due within one year:				
Senior loan	2,725	2,317	-	-
Loan stock	1,743	1,529	1,743	1,529
Mezzanine debt	59,389	63,710	59,285	63,727
	<u>63,875</u>	<u>67,556</u>	<u>61,028</u>	<u>65,256</u>
Amounts falling due between 1-5 years:				
Senior loan	24,268	26,408	-	-
Loan stock	50,996	44,662	50,940	44,668
	<u>75,282</u>	<u>71,070</u>	<u>50,940</u>	<u>44,668</u>

Included within Senior loan is an amount repayable after five years of £16,697,000 (2021: £19,737,000) and included within Loan stock are amounts repayable after five years of £20,314,000 (2021: £34,306,000) respectively. Loan stock represents loans from equity investors, details of which can be found in note 20.

Included in the Mezz debt is an amount repayable within 12 months of £59,389,000 (2021: £59,389,000).

Notes to the Financial Statements (continued)

14. Loans (continued)

Terms and debt repayment schedule

	Currency	Nominal Interest	Year of maturity	Repayment schedule
Senior loan	GBP	SONIA + 3.5%	2030	Semi-annual
Loan stock	GBP	10.2% to 13.5%	2026 to 2032	Semi-annual

The mezzanine loan has been classified as a current liability due to the prior year covenant ratio breach and outstanding interest and principal amounts.

15. Share Capital

	2022 £000	2021 £000
Authorised, issued and fully paid: 500,000 (2021: 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>

16. Reserves

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cashflow hedging instruments related to hedged transactions that have not yet occurred.

17. Notes to the Cashflow Statement

	Group 2022 £000	Group 2021 £000
Loss for the year	(1,340)	(4,898)
Add: depreciation	4,519	4,503
Add: finance costs	15,448	14,621
Less: finance income	(4)	(4)
Taxation	3,176	284
Operating cash flows before movements in working capital	<u>21,799</u>	<u>14,506</u>
Increase in inventory	(21)	(52)
(Decrease)/increase in payables	(877)	(5,104)
Decrease/(increase) in receivables	3,592	1,659
Net cash from operating activities	<u>24,493</u>	<u>11,009</u>

Notes to the Financial Statements (continued)

18. Financial instruments

Information regarding the Group's exposure to and management of credit risk, liquidity risk, market risk, and interest rate risk is included in the Strategic Report on pages 3 and 4.

The carrying values of the Group and Company's financial assets and liabilities measured at fair value through profit or loss are summarised by category below:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Financial assets/(liabilities)				
Derivative financial assets/(liabilities) designated in an effective hedging relationship (see below)	<u>1,521</u>	<u>(2,414)</u>	<u>-</u>	<u>-</u>

The Company uses derivatives to hedge its variable interest rate risks and the fair value of the derivative asset at the balance-sheet date was £1,521,000 (2021: liability of £2,414,000). The cashflows arising from the interest rate swaps will continue until its maturity in 2030.

Changes in the fair value of the derivative recognised in other comprehensive income that were determined to be an effective hedge amounted to a gain of £3,934,00 (2021: gain of £2,238,000). The hedge did not result in any ineffective portion of the change in the fair value of the derivative being recognised in the profit or loss for the year.

19. Net debt

	2021 £000	Cashflows 2022 £000	Non-cash changes 2022 £000	2022 £000
Long term borrowings (note 14)	<u>138,626</u>	<u>(14,904)</u>	<u>- 15,435</u>	<u>139,157</u>

Notes to the Financial Statements (continued)

20. Related party transactions

Burmeister and Wain Scandinavian Contractor A/S ("BWSC")

10.55% Shareholder of Mersey Bioenergy Holdings Limited.

Loan stock interest of £661,000 (2021: £580,000) was accrued on loans from BWSC in the year.

Directors' fees of £37,000(2021: £35,000) were paid during the year.

O&M fees of £4,788,000 (2021: £2,777,000) were invoiced during the year.

Amount due to related party at the balance sheet date was £5,401,000 (2021: £4,739,000).

Amounts due to BWSC are included in Trade and other payables and Loans payable.

Esken Green Energy Limited

39.55% Shareholder of Mersey Bioenergy Holdings Limited.

Loan stock interest of £3,064,000 (2021: £2,176,000) was accrued on loans from Stobart in the year.

Directors' fees of £37,000 (2021: £35,000) were paid during the year.

Total fuel costs of £5,400,000 (2021: £5,867,000) were invoiced during the year.

Amount due to related party at the balance sheet date was £20,245,000 (2021: £17,765,000).

Amounts due to Stobart are included in Trade and other payables and Loans payable.

UK Waste Resources and Energy Investments L.P. ("UKWREI")

49.90% shareholder of Mersey Bioenergy Holdings Limited.

Loan stock interest of £4,134,000 (2021: £2,936,000) was accrued on loans from UKWREI in the year.

Directors' fees of £37,000 (2021: £35,000) were paid during the year.

Amount due to related party at the balance sheet date was £27,317,000 (2021: £23,972,000).

Amounts due to UKWREI are included in Trade and other payables and Loans payable.

BIG Legolas Holdings Limited ("BIG Legolas")

20% holder of Mezzanine Loan Notes of Mersey Bioenergy Holdings Limited.

Mezzanine loan note interest of £ 1,467,000 (2021: £1,433,000) was accrued on loans from BIG Legolas in the year.

Amount due to related party at the balance sheet date was £13,766,000(2021: £14,633,000).

Amounts due to BIG Legolas are included in Trade and other payables and Loans payable.

21. Controlling party

The Group is jointly controlled by its shareholders under the shareholders' agreement. These are UK Waste Resources and Energy Investments LP.(49.9%), Esken Green Energy Limited (39.55%) and Burmeister and Wain Scandinavian Contractor A/S (10.55%).

Notes to the Financial Statements (continued)

22. Events after the balance-sheet date

In May 2023, a new Evero Group debt facility was agreed that matures in December 2027.

Amounts from this facility were used to purchase the external debt and the entire share capital of the Company in August 2023 for £98,218,000 so that the Company is now 100% owned by the Evero Group.