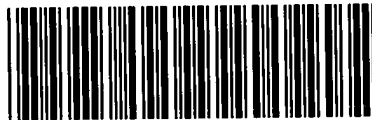


COMPANY REGISTRATION NUMBER: 10619802

Advanced Biomass Solutions Ltd
Financial Statements
31 December 2022

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Advanced Biomass Solutions Ltd

Financial Statements

Year ended 31 December 2022

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Advanced Biomass Solutions Ltd

Directors' Report

Year ended 31 December 2022

The directors present their report and the financial statements of the company for the year ended 31 December 2022.

Directors

The directors who served the company during the year were as follows:

Mr M Rowan	
Mr J G Leahy	(Appointed 11 October 2022)
Mr A L Diamond	(Resigned 23 August 2022)

Dividends

The directors do not recommend the payment of a dividend.

Events after the end of the reporting period

There were no material events after the reporting date.

Directors' responsibilities 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 adopted international accounting standards. 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 profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with United Kingdom adopted International Accounting Standards, 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.

The Directors consider that the annual report and the accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Report of Directors confirm that, to the best of their knowledge the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the United Kingdom, give a true and fair view of the assets, liabilities, financial position and loss of the Company.

Advanced Biomass Solutions Ltd

Directors' Report *(continued)*

Year ended 31 December 2022

Auditor

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

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

This report was approved by the board of directors on 28th September 2023 and signed on behalf of the board by:



TMSRowan (Sep 29, 2023 05:49 EDT)

Mr M Rowan
Director

Registered office:
27-28 Eastcastle Street
London
United Kingdom
W1W 8DH

Advanced Biomass Solutions Ltd

Independent Auditor's Report to the Members of Advanced Biomass Solutions Ltd

Year ended 31 December 2022

Opinion

We have audited the financial statements of Advanced Biomass Solutions Ltd (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows 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 adopted International Accounting Standards and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; 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 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. 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 in the financial statements, which explains that the Company is dependent upon support from its parent undertaking, Active Energy Group Plc ("the Group") to commercialise or develop its core business. The Directors of the Company and the Group have identified a variety of potential sources of funds including issue of additional equity and/or debt, sale of assets, revenue from future operations and tax credits. In addition, the Directors have identified additional cost reductions which may be implemented, if necessary.

These events or conditions, along with other matters are set forth in note 2, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a detailed review of Group's future forecasts and assessing the assumptions utilised by management in preparing the forecast. These assumptions were further assessed along with those used in the prior year to determine reasonability. We have reviewed the Group cash held at year end up to the date of signing of this report and have further taken into account management's previous ability to raise equity funding for the Group when required in order to maintain operations.

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

Advanced Biomass Solutions Ltd

Independent Auditor's Report to the Members of Advanced Biomass Solutions Ltd (continued)

Year ended 31 December 2022

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

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

We have nothing to report in this regard.

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

Advanced Biomass Solutions Ltd

Independent Auditor's Report to the Members of Advanced Biomass Solutions Ltd (continued)

Year ended 31 December 2022

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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.

The extent to which the audit was considered capable of detecting irregularities including fraud
Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the company through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
 - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
 - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Advanced Biomass Solutions Ltd

Independent Auditor's Report to the Members of Advanced Biomass Solutions Ltd (continued)

Year ended 31 December 2022

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 1 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions; and
- in response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
 - agreeing financial statement disclosures to underlying supporting documentation;
 - reading the minutes of meetings of those charged with governance;
 - enquiring of management as to actual and potential litigation and claims; and
 - reviewing correspondence with HMRC and the group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Sudhir Rawal
Senior Statutory Auditor
For and on behalf of
Jeffreys Henry LLP
Chartered accountants & statutory auditor
Finsgate
5-7 Cranwood Street
London
United Kingdom
EC1V 9EE

29th September 2023

Advanced Biomass Solutions Ltd

Statement of comprehensive income

Year ended 31 December 2022

	Note	2022 \$	2021 \$
Cost of sales		—	—
Gross loss		—	(517,238)
Administrative expenses		659,224	313,856
Impairment charge		1,000,000	2,000,000
Operating loss		(1,659,224)	(2,831,094)
Finance costs	5	51	121,814
Loss before taxation		(1,659,275)	(2,952,908)
Tax on loss	6	—	—
Loss for the financial year and total comprehensive income		(1,659,275)	(2,952,908)
Earnings per share			
Basic and diluted loss per share	7	(0.89)	(1.58)

All the activities of the company are from continuing operations.

The notes on pages 11 to 23 form part of these financial statements.

The notes on pages 11 to 23 form part of these financial statements.

Advanced Biomass Solutions Ltd

Statement of Financial Position

31 December 2022

	Note	2022 \$	2021 \$
Non-current assets			
Intangible assets	8	8,064,585	5,659,024
Tangible assets	9	4,771,515	7,210,911
		<u>12,836,100</u>	<u>12,869,935</u>
Current assets			
Debtors	10	774,727	1,495,781
Cash at bank and in hand		18,970	1,510
		<u>793,697</u>	<u>1,497,291</u>
Current liabilities	11	621,341	355,952
Non-current liabilities	12	18,175,723	17,519,266
Total liabilities		<u>18,797,064</u>	<u>17,875,218</u>
Net liabilities		<u>(5,167,267)</u>	<u>(3,507,992)</u>
Capital and reserves			
Called up share capital	14	6,317,532	6,317,532
Share premium account		65,700	65,700
Profit and loss account		<u>(11,550,499)</u>	<u>(9,891,224)</u>
Shareholders deficit		<u>(5,167,267)</u>	<u>(3,507,992)</u>

These financial statements were approved by the board of directors and authorised for issue on ... September 2023, and are signed on behalf of the board by:



TMSRowan (Sep 29, 2023 05:49 EDT)

Mr M Rowan
Director

Company registration number: 10619802

The notes on pages 11 to 23 form part of these financial statements.

Advanced Biomass Solutions Ltd

Statement of Changes in Equity

31 December 2022

	Called up share capital \$	Share premium account \$	Profit and loss account \$	Total \$
At 1 January 2021	1,383,232	–	(6,938,316)	(5,555,084)
Loss for the year	–	–	(2,952,908)	(2,952,908)
Total comprehensive income for the year	–	–	(2,952,908)	(2,952,908)
Issue of shares	4,934,300	65,700	–	5,000,000
At 31 December 2021	6,317,532	65,700	(9,891,224)	(3,507,992)
Loss for the year	–	–	(1,659,275)	(1,659,275)
Total comprehensive income for the year	–	–	(1,659,275)	(1,659,275)
At 31 December 2022	6,317,532	65,700	(11,550,499)	(5,167,267)

The notes on pages 11 to 23 form part of these financial statements.

The notes on pages 11 to 23 form part of these financial statements.

Advanced Biomass Solutions Ltd

Statement of Cash Flows

Year ended 31 December 2022

		2022	2021
	Note	\$	\$
Cash generated from operations	16	104,219	(776,912)
Net cash from/(used in) operating activities		<u>104,219</u>	<u>(776,912)</u>
Cash flows from investing activities			
Purchase of tangible assets		(380,222)	(3,942,465)
Proceeds from sale of tangible assets		74,583	—
Purchase of intangible assets		(730,214)	—
Net cash used in investing activities		<u>(1,035,853)</u>	<u>(3,942,465)</u>
Cash flows from financing activities			
Loan proceeds		1,289,194	885,234
Repayment of loans		(340,100)	(1,031,853)
Intercompany loan		—	4,849,897
Net cash from financing activities		<u>949,094</u>	<u>4,703,278</u>
Net increase/(decrease) in cash and cash equivalents		17,460	(16,099)
Cash and cash equivalents at beginning of year		1,510	984
Exchange gains on cash and cash equivalents		—	16,625
Cash and cash equivalents at end of year		<u>18,970</u>	<u>1,510</u>

The notes on pages 11 to 23 form part of these financial statements.

Advanced Biomass Solutions Ltd

Notes to the Financial Statements

Year ended 31 December 2022

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 27-28 Eastcastle Street, London, W1W 8DH, United Kingdom.

2. Accounting policies

Basis of preparation

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

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards, International Accounting Standards and IFRIC interpretations (collectively IFRS) as adopted by the United Kingdom, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the most appropriate application in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2 below.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit;

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available to utilise the difference. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

2. Accounting policies *(continued)* Going concern

In preparing the financial statements the Directors are required to make an assessment on the Company's ability to continue as a going concern and whether it is appropriate to prepare the financial statements on a going concern basis.

The Company is dependent upon support from its parent undertaking, Active Energy Group Plc ("the Group") to commercialise or develop its core business. The Directors of the Company and the Group have identified a variety of potential sources of funds including issue of additional equity and/or debt, sale of assets, revenue from future operations and tax credits. In addition, the Directors have identified additional cost reductions which may be implemented, if necessary.

Active Energy Group Plc is ultimately dependant on the Active Energy Groups' funding position, its ability to generate profitable returns from its CoalSwitch® product, or its ability to raise funding to support the group until such time as it becomes profitable.

The directors have considered these uncertainties and providing the Company retains the support from "the Group", have determined that reporting on the going concern basis is appropriate. The Board are of the opinion that the factors set out above constitute material uncertainties in relation to the Group's and in turn the Company's ability to continue as a going concern. The Directors acknowledge that these uncertainties may cast significant doubt on the Group's and Company's ability to continue as a going concern. The financial statements do not include any adjustments that would arise if the Company were to be unable to continue as a going concern.

Changes in accounting policies

New and amended standards which are effective for these financial statements

A number of new and amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2022 including Amendments to IFRS 1, IFRS 9, IFRS 16 - Annual improvements and IAS 16 Property, Plant and Equipment. They have not had a material impact on the Financial Statements.

New and amended standards which are not yet effective for these financial statements

There are a number of new and amended standards and interpretations that are not mandatory for the 31 December 2022 reporting period and have not been early adopted by the company. These will be adopted in the period when they became mandatory unless otherwise indicated.

Ref	Title	Summary	Application date
IAS1	Presentation of Financial Statements	Amendments regarding the classification of liabilities as current or non-current.	01-Jan-24
		Changes to help users distinguish between changes in accounting estimates and changes in accounting policies.	01-Jan-23
IAS12	Deferred tax	Recognition of deferred tax on transactions that on initial recognition give rise to equal amounts of taxable and deductible temporary differences	01-Jan-23
IAS37	Provisions, contingent assets and contingent liabilities	Specifies which cost should be included when assessing whether a contract will be loss making	01-Jan-23

The Standards mentioned are not expected to have a material impact on future reporting periods.

Advanced Biomass Solutions Ltd

Notes to the Financial Statements (continued)

Year ended 31 December 2022

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with International Financial Reporting Standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year end date and the reported amounts of revenues and expenses during the reporting year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were as follows:

i) Impairment of intangible fixed assets and property, plant and equipment

Intangible fixed assets and other assets are considered for impairment where such indicators exist using value in use calculations or fair value and recoverability estimates. The use of these methods requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows.

ii) Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment in use are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

iii) Recognition of development costs within intangible fixed assets

The Company undertakes certain development activity, which is recognised within intangible fixed assets, if it meets certain criteria laid down by international accounting standards. This means that management is required to assess various factors associated with these assets to determine whether the asset is separately identifiable, that it is probable that future economic benefits attributable to will arise; the technical feasibility of completing the asset; that the Company intends and is able to complete the asset; and there are available and adequate technical, financial and other resources to complete the asset. All these matters involve technical and economic judgement and changes to this assessment can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Company's functional currency is United States Dollar ("US Dollar", "US\$"). The Company financial statements are presented in US Dollar, which is the Company's presentation currency as the Company's activities are ultimately linked to the US Dollar.

Transactions entered into by the Company in a currency other than their functional currency are recorded at the rates ruling when transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

2. Accounting policies *(continued)*

Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see below in note 1 related to critical estimates and judgements below).

Internally generated intangible fixed assets are recognised if they meet the requirements set out by international accounting standards. Specifically,

- The asset must be separately identifiable that is to say that either it is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged; or it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations;
- The cost of the asset can be measured reliably;
- The technical feasibility of completing the intangible asset;
- The Company intends and is able to complete the intangible asset and use or sell it;
- The intangible asset will generate probable future economic benefits;
- There are available and adequate technical, financial and other resources to complete and to use or sell the intangible asset; and
- Expenditure attributable to the intangible asset is measurable.

Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGU"). Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

Advanced Biomass Solutions Ltd
Notes to the Financial Statements *(continued)*
Year ended 31 December 2022

2. Accounting policies *(continued)*

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Tangible assets

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any recognised impairment loss. Cost includes the purchase price and all directly attributable costs. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life and depreciation commences when the asset is brought into use.

Plant and equipment - 2 to 10 years straight line

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

2. Accounting policies *(continued)*

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Financial instruments

The Company classifies its financial assets at inception into three measurement categories; 'amortised cost', 'fair value through other comprehensive income' ('FVOCI') and 'fair value through profit and loss' ('FVTPL'). The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction cost that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the Company establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership. In a transaction in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The Company derecognises a financial liability when its contractual obligation are discharge, cancelled or expire.

Impairment

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective experience (such as significant financial difficulty of obligor, breach of contract, or it becomes probable that debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of loss is recognised in the Statement of Comprehensive Income.

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

3. Auditors' remuneration

	2022	2021
	\$	\$
Audit fees	17,845	35,695

4. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2022	2021
	No.	No.
Management staff	-	-

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. During the year these were considered to be the Directors of the Company listed in the Report of Directors. The Directors do not receive remuneration for their services as directors of the Company.

Full details of Directors' remuneration is provided in the Active Energy Group Plc Annual Report and Accounts.

5. Finance costs

	2022	2021
	\$	\$
Interest on debt	-	137,164
Foreign exchange movements	51	(15,350)
Total	51	121,814

6. Tax on loss

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021
	\$	\$
Loss on ordinary activities before taxation	(1,659,275)	(2,952,908)
Loss on ordinary activities by rate of tax	(315,262)	(561,053)
Losses not recognised	315,262	561,053
Tax on loss	-	-

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

The estimated carried forward tax losses at the 31 December 2022 were US\$12,224,275 (2021: US\$12,501,892). This equates to a potential deferred tax asset of US\$3,056,069 at 31 December 2022 (2021: US\$3,125,473). No deferred tax asset has been recognised due to uncertainties regarding the recoverability of this balance (2021: US\$Nil).

7. Loss per share

Basic and diluted loss per share

	2022	2021
Basic and diluted loss per share from continuing operations (USD\$)	<u>(0.89)</u>	<u>(1.58)</u>

The loss and weighted average number of shares used in the calculation of basic and diluted loss per share are as follows:

	2022 \$	2021 \$
Loss used in the calculation of basic and diluted loss per share calculation from continuing operations	<u>(1,659,275)</u>	<u>(2,952,908)</u>
	2022 No.	2021 No.
Weighted average number of ordinary shares in issue	<u>1,871,420</u>	<u>1,871,420</u>

8. Intangible assets

	Intellectual Property \$	Total \$
Cost		
At 31 December 2020	5,259,024	5,259,024
Additions	400,000	400,000
At 31 December 2021	5,659,024	5,659,024
Additions	730,214	730,214
Transfers from plant and machinery	1,675,347	1,675,347
At 31 December 2022	8,064,585	8,064,585
	Intellectual Property \$	Total \$
Accumulated amortisation		
At 31 December 2020	—	—
At 31 December 2021	—	—
At 31 December 2022	—	—
Net book value		
At 31 December 2022	8,064,585	8,064,585
At 31 December 2021	5,659,024	5,659,024

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

Intellectual property

Intellectual property comprises costs incurred to secure the rights and knowledge associated with the CoalSwitch® and PeatSwitch™ technologies.

9. Tangible assets

	Plant and machinery \$	Equipment \$	Total \$
Cost			
At 31 December 2020	5,777,242	–	5,777,242
Additions	159,885	3,782,580	3,942,465
Transfers to Group companies	–	(242,153)	(242,153)
Disposals	(266,643)	–	(266,643)
At 31 December 2021	5,670,484	3,540,427	9,210,911
Additions	4,863	375,359	380,222
Disposals	–	(144,271)	(144,271)
Transfer to intangibles	(1,675,347)	–	(1,675,347)
At 31 December 2022	4,000,000	3,771,515	7,771,515
	Plant and machinery \$	Equipment \$	Total \$
Accumulated depreciation			
At 31 December 2020	–	–	–
Impairment losses	2,000,000	–	2,000,000
At 31 December 2021	2,000,000	–	2,000,000
Impairment losses	1,000,000	–	1,000,000
At 31 December 2022	3,000,000	–	3,000,000
Net book value			
At 31 December 2022	1,000,000	3,771,515	4,771,515
At 31 December 2021	3,670,484	3,540,427	7,210,911

The \$1,000,000 impairment charge relates to a reactor that has been taken out of service and is being used for research and development purposes.

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

10. Debtors

	2022	2021
	\$	\$
Amounts owed by group undertakings	–	299,468
Prepayments and accrued income	–	5,998
Other debtors	774,727	1,190,315
	<u>774,727</u>	<u>1,495,781</u>

In the Directors' opinion the carrying values of trade and other receivables are stated at their fair value, after deduction of appropriate allowances for irrecoverable amounts, as these assets are not interest bearing and receipts occur over a short period and are subject to an insignificant risk of changes in value.

As at 31 December 2022 trade receivables of US\$nil (2021: US\$nil) were overdue. an analysis of the Company's trade and other receivables classified as financial assets by currency is provided in note 13.

11. Current liabilities

	2022	2021
	\$	\$
Trade creditors	191,790	338,409
Accruals and deferred income	429,551	17,543
	<u>621,341</u>	<u>355,952</u>

The carrying values of trade and other payables approximate their fair value as payments occur over a short period and the risk of material changes in value is insignificant. All trade and other payables mature within three months. These are classified as financial liabilities on the balance sheet and they are measured at amortised cost.

The amounts shown are undiscounted and represent the contractual cash-flows. An analysis of the Company's trade and other payables classified as financial liabilities by currency is provided in note 13.

12. Non-current liabilities

	2022		2021	
	Book value	Fair value	Book value	Fair value
	\$	\$	\$	\$
Intercompany loans	<u>18,175,723</u>	<u>18,175,723</u>	<u>17,519,266</u>	<u>17,519,266</u>

The intercompany loan balance are US dollar denominated, unsecured, incur interest at 12%, chargeable at the discretion of Active Energy Group Plc and have no specified terms of repayment. Active Energy Group Plc, the ultimate parent company, will be supporting the Company. The full intercompany loan obligation is due to Active Energy Group Plc. Active Energy Group Plc ensures that the Company will only be required to be repay the liability following the period after the date of these financial statements.

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

13. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2022 \$	2021 \$
Financial assets that are debt instruments measured at amortised cost		
Amounts due from group undertakings	6,831	299,468
Provision for doubtful debts	(6,831)	-
Projects advances	774,727	1,190,315
	<u>774,727</u>	<u>1,489,783</u>
Financial liabilities measured at amortised cost		
Trade and other payables	621,341	355,952
Loans and borrowings	18,175,723	17,519,266
	<u>18,897,064</u>	<u>17,875,218</u>

Fair value measurement

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

Market risk

Currency risk

The Company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. The Company is exposed to transactional foreign exchange risk and takes profits and losses as they arise, as in the opinion of the directors, the cost of hedging against fluctuations would be greater than the potential benefits.

The Company's financial assets are denominated in the following currencies:

	2022 \$	2021 \$
US Dollar	156,889	1,489,783

The Company's financial liabilities are denominated in the following currencies:

	2022 \$	2021 \$
US Dollar	18,172,395	17,857,674

Advanced Biomass Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

The effect of a 5 per cent strengthening of the US Dollar at the reporting date on the foreign denominated financial instruments carried at that date would, all variables held constant, would have resulted in a decrease in the net loss for the year and increased net liabilities by US\$nil (2021: US\$nil). A 5 per cent weakening in the exchange rate would, on the same basis, have decreased the net loss and increased net assets by the same amount.

Interest rate risk

The Company finances its operations through a mixture of equity and intercompany debt.

Credit risk

Operational

The Company is exposed to credit risk credit agreements and sales. It is the Company's policy, implemented locally, to assess the Credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices are then factored into trading decisions. The Company does not enter into any derivatives to manage credit risk. Further information on Trade and other receivables are presented in note 10.

Financial

Financial risk relates to non-performance by banks in respect of cash deposits and it mitigated by the selection of institutions with a strong credit rating.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Company finances its operations through a mix of equity and intercompany debt. The Company's objective is to provide funding for future growth. The Company's policies aim to ensure sufficient liquidity is available to meet foreseeable needs through the preparation of short and long term forecasts. Further disclosure regarding going concern is included in note 2.

The Company had no bank loans or invoice finance facilities at 31 December 2022 (2021: US\$nil). The Company had no overdraft at 31 December 2022 (2021: US\$nil) and no personal guarantees were in place.

Capital risk management

The Company's objective when managing capital is to establish and maintain a capital structure that safeguards the Company as a going concern and provides a return to shareholders.

14. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	\$	No.	\$
Ordinary shares of £1 (2021 - £1) each	<u>4,709,848</u>	<u>6,317,532</u>	<u>4,709,848</u>	<u>6,317,532</u>

15. Capital and operating commitments

Capital commitments at the 31 December 2022 were US\$nil (2021: US\$nil).

Advanced Biomass Solutions Ltd

Notes to the Financial Statements (continued)

Year ended 31 December 2022

16. Cash generated from operations

	2022 \$	2021 \$
Loss for the financial year	(1,659,275)	(2,952,908)
<i>Adjustments for:</i>		
Impairment of tangible assets	1,000,000	2,000,000
Interest payable and similar expenses	–	129,994
Intercompany bad debt provision	6,831	–
Loss on disposal of tangible assets	69,688	–
Accrued (income)/expenses	(412,008)	667,311
<i>Changes in:</i>		
Trade and other debtors	421,586	371,392
Trade and other creditors	(146,619)	(992,701)
	<u>104,219</u>	<u>(776,912)</u>

17. Analysis of changes in net debt

	At 1 Jan 2022 \$	Cash flows \$	At 31 Dec 2022 \$
Cash at bank and in hand	1,510	17,460	18,970
Debt due within one year	(17,519,266)	(656,457)	(18,175,723)
	<u>(17,517,756)</u>	<u>(638,997)</u>	<u>(18,156,753)</u>

18. Related party transactions

Details of Director's remuneration are given in note 4.

The Company's intercompany receivable/(payable) at the year-end were as follows:

	2022 \$	2021 \$
Amounts due from group undertakings	6,831	299,468
Amounts due to group undertakings	(18,175,723)	(17,519,266)

There is a provision for doubtful debt regarding the amounts due from group undertakings for US\$6,831 (2021: US\$nil).

19. Controlling party

At 31 December 2022 the Company's ultimate parent company was Active Energy Group Plc. Active Energy Group Plc does not have any controlling parties.

Copies of the consolidated financial statements of Active Energy Group Plc are available from Companies House or www.aegplc.com

20. Events after the end of the reporting period

There were no material events after the reporting date.