



Annual Report 2016

AHH 1.5MW TURBINE AT THE MEYGEN SITE ON-BOARD THE OLYMPIC ARES PREPARING FOR INSTALLATION







LOWER CABLE MANAGEMENT SYSTEM CONNECTION

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MEYGEN FOUNDATIONS INSTALLED USING JACK-UP VESSEL THE NEPTUNE



TURBINE SUPPORT STRUCTURE BALLAST BLOCKS BEING LIFTED FROM THE OLYMPIC ORION AT THE MEYGEN SITE



AHH 1.5MW TURBINE BEING LIFTED AT NIGG ENERGY PARK



OREC TURBINE TESTING FACILITY



ARL NACELLE INSTALLATION TOOL BEING PREPARED TO LOAD THE AR1500 1.5MW TURBINE



THE FIRST AHH 1.5MW TURBINE LEAVING NIGG ENERGY PARK EN ROUTE TO SITE FOR INSTALLATION



AR1500 1.5MW TURBINE LOADING OUT

CHAIRMAN'S STATEMENT



This year has been another year of world firsts for the Group and tidal power, during which we have cemented our reputation as the driving force behind a growing sector. Above all our other achievements, I am delighted to be able to report the generation of first power from Phase 1A of the MeyGen project and full Ofgem accreditation, the culmination of many years of hard work and perseverance.

In June 2016, we connected to the 33kV Ness of Quoys distribution network, which paved the way for us to export our first power to the grid in November 2016. The connection was closely followed by our deal with Lochend Wind Energy Limited to deliver electricity to the grid whenever the MeyGen tidal project is not making full use of the available export capacity. This unprecedented arrangement further demonstrates our pioneering role in the renewables industry, combining wind energy with tidal energy to make more efficient use of existing grid assets.

The second half of 2016 was dominated by the installation of subsea equipment and the commencement of generation, with the fourth and final turbine, supplied by the Atlantis turbine and engineering services division, being installed in February 2017 and reaching full power soon afterwards. I was particularly pleased to welcome the First

Minister of Scotland, Nicola Sturgeon, to formally unveil the MeyGen project at Nigg Energy Park in Scotland in September 2016, just before the start of the foundation installation campaign.

As the year drew to a close, we formalised our decision to proceed with the development for the next stage of the MeyGen project, known as Project Stroma, or Phase 1B. We have been working diligently to further refine the design of the turbines and balance of plant based on the lessons learned from Phase 1A, thus demonstrating progress to lower the cost of energy for tidal stream. This phase of the project will benefit from both €20.3 million of capital grant funding from Europe's Horizon 2020 programme, as well as €16.8 million in revenue support under the NER300 scheme.

MeyGen's success has attracted infrastructure and private finance partners from across Europe, with whom we are working to strengthen our portfolio. In April 2016, we announced our new partnership with Equitix Limited for investment in our UK pipeline, and this was closely followed by an investment by DEME Concessions NV who acquired a 2% shareholding in Tidal Power Scotland Limited, our Scottish portfolio holding company. We also completed the sale of a 6% share in Tidal Power Scotland Limited to ScottishPower Renewables (UK) Limited, in exchange for the transfer of development rights for 110MW of further Scottish projects. Meanwhile, we were heartened by robust support from our Shareholders in a £6.5 million capital raise in April 2016, and a further £4.05 million in May 2017.

We are striving harder than ever to drive down costs to ensure that our power is an attractive economic choice in the short term as well as providing a host of social and environmental benefits. We continue to make excellent progress in our ambition to provide sustainable and predictable green energy on a commercial scale, and to do so wherever there is available tidal resource. In April 2017, we signed an agreement with SBS Intl Ltd to develop a 150MW project in Indonesia, and since the end of the year, we have reported our active pursuit of opportunities in France and South Korea.

We are also branching out into related energy project opportunities through our new Atlantis Energy division, which allows us to make the most of our experience in developing uniquely complex projects.

I would like to take this opportunity to thank all of those who have partnered with and supported Atlantis through a very challenging year, including our Shareholders and many key stakeholders, and to thank our people and my fellow directors for their continued dedication as we move into the next exciting period of delivery.

ANNUAL GENERAL MEETING

Our Annual General Meeting will be held on 29 June 2017 and the notice of the meeting accompanies this Annual Report. I look forward to this opportunity to meet our Shareholders.

John Mitchell Neill

Chairman

30 May 2017

CHIEF EXECUTIVE OFFICER'S STATEMENT



PROFILE

The Group focuses on three core activities: power generation, project development and technology delivery. Our power generation activities are currently focused on MeyGen Phase 1A. Our project development capability has been honed through the origination, development and delivery of the MeyGen tidal stream project, and we continue to apply these skills to new opportunities in house as well as offering our specialist services to third party project owners. By targeting the early part of the project lifecycle, we can maximise our opportunity to create value both for our customers and for ourselves as project owners. Our turbine and engineering services division, meanwhile, ensures we have the means to deliver our projected reductions in the cost of energy. This allows our projects and those of third party developers to remain economically viable and financially attractive to infrastructure investors and governments in the long term, against competition from other sources of renewable power production in a range of global markets.

UPDATE

2016 was a very significant year for the Group as we saw the realisation of over 10 years of hard work in the energisation of MeyGen Phase 1A. It was a challenging yet rewarding journey, and through tenacity, innovation and entrepreneurship we have continued to lead the tidal power sector on the road to commercial maturity. Initial indications are that the performance of our own turbine generator, the AR1500, will exceed our expectations in terms of power curve performance and we look forward to validating these claims over the coming months. All the Phase 1A turbines are currently undergoing upgrades proposed by the turbine suppliers following an initial period of operation, and are scheduled for reinstallation in mid-2017 when they will undergo their final performance and reliability guarantee tests.

The UK's decision in June 2016 to leave the European Union was followed by the reassuring confirmation that our existing sources of European public funding for UK projects would be unaffected. In particular, we will continue to benefit from the €37 million of capital and revenue support awarded to the next phase of the MeyGen project, known as Project Stroma. This preserves our opportunity to use this project to demonstrate the cost reducing innovations which are essential to the future viability of tidal power as it competes against longer established technologies.

The necessity of rapid cost reduction was highlighted by the UK government's decision to withdraw ring-fenced support for marine energy, but we are nonetheless pleased to have the opportunity to compete in the 2017 allocation round for contracts for difference. This regime replaces the outgoing Renewables Obligation, under which MeyGen Phase 1A has now received full accreditation, ensuring it receives five Renewables Obligation Certificates for each megawatt hour of generation.

Whilst tidal stream remains our primary focus, we've also announced the creation of a new division, Atlantis Energy, through which we can apply our origination and development expertise to energy projects in related areas. We offer these skills to third party project owners as well as putting them to work to identify opportunities for broadening our own portfolio. We've already signed an agreement with Ideol, a leading developer of offshore floating foundation solutions, and we're working with Natural Energy Wyre to progress the Wyre tidal barrage project on the Lancashire coast in England. 2017 promises to be a year of technological and geographical diversity as we continue to build this part of the business alongside our latest tidal stream opportunities in France and Asia.

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

SUMMARY OF RESULTS

As a result of the relocation of the Group's corporate headquarters from Singapore to Edinburgh, the Group's presentational currency changed from Singapore dollar to Great British pounds ("GBP"), effective 1 January 2016. All comparative figures have been restated and are also presented in GBP.

For the year ended 31 December 2016, the Group recorded a post tax loss of £7.3m, a decrease of £9.3m on the prior year profit. The prior year included one-off gains arising from the acquisition of Marine Current Turbines ("MCT") of £9.2m and the disposal of 50% of our stake in Atlantis Operations Canada Limited ("AOC") of £0.9m.

Revenue from consulting services was £0.2m, down from £1.4m in the previous year as a result of the completion of the final design phase of our contract with Energy Technologies Institute ("ETI"). The completion of this phase of the ETI project also contributed towards lower costs during the year.

Total expenses for the year were £9.1m, a reduction on the prior year of £2.9m. Prior year expenses included an impairment charge of £1.9m, primarily on the AR1000 turbine, which was considered to be obsolete. Further cost reductions were realised in Research and Development costs and subcontractor costs, as noted above.

Other gains were £2.8m which, when excluding the one-off items noted above relating to MCT and AOC, were down £0.4m on the prior year. The MCT acquisition in 2015 resulted in a bargain purchase gain, mainly in respect of the fair value of turbine technology and seabed options, while the AOC disposal resulted in a re-measurement gain on the remaining 50% held by the Group.

The Group's net assets increased during the year by £8.9m to £66.6m. In April 2016, the Group raised approximately £6.5m through a successful share issue. In return for a 6% stake in the Group's project development company, Tidal Power Scotland Limited ("TPSL"), we acquired additional seabed options from Scottish Power Renewables worth £6.6m. Further, DEME Group took an additional 2% stake in TPSL in consideration for £2m cash. The Group retains a 92% interest in TPSL. Finally, Scottish Enterprise made a further £1.3m equity injection to MeyGen Holdings Limited ("MGHL"), increasing their shareholding to 16.55%. The Group retains the remaining 83.45% interest in MGHL.



Timothy James Cornelius

Chief Executive Officer

30 May 2017

BOARD OF DIRECTORS



JOHN MITCHELL NEILL CBE

Non-Executive Chairman

John joined the Unipart group of companies from General Motors in 1974 and set out to establish a more independent and broad based role for what was then British Leyland's Parts Division. In 1987, he led the management buyout of the Company, of which he remains the Chairman and CEO. He has served as a non-executive director of Rolls-Royce plc, a director of the Court of the Bank of England and a non-executive director of the Royal Mail and Charter International plc. John became a Director and non-executive Chairman of the Company on 11 December 2013.



TIMOTHY JAMES CORNELIUS

Chief Executive Officer

Tim worked in the subsea, offshore construction and oil and gas sectors with Submarine Escape and Rescue Service (Australia), Subsea Offshore, Halliburton Subsea and Subsea7, before taking the role of CEO of Atlantis in 2006, and subsequently joining the Board on 11 December 2013. He remains a certified submersible engineer and subsea ROV pilot and has experience in the power generation and shipping sectors.



DUNCAN STUART BLACK

Non-Executive Director

Duncan joined the Board on 11 December 2013. He has some twenty years of experience in the power generation and infrastructure sectors in senior management, operational and development roles, as an owner, fund manager, investment banker and engineer. Duncan was the Group's CFO from 2012 to 2015, and prior to that had held positions as the CEO of an Asian infrastructure fund, CFO of CLP Holdings' Australian electricity and gas utility (now Energy Australia), and business development and finance roles with CLP Holdings Ltd and InterGen, focused on power projects in Asia and Australia. Duncan resigned from his position as CFO on 7 September 2015 and is now a partner in an independent Asian infrastructure funds management business, but remains on the Board as a non-executive Director.



MICHAEL ROBERT LLOYD

Non-Executive Director

Mike was appointed to the Board on 11 December 2013. He has more than forty years of experience in engineering, manufacturing and supply chain roles in the electrical machinery and power sectors. His senior leadership roles have included Group Manufacturing Director of Rolls Royce plc, President of Rolls Royce Gas Turbines Operations, Technical Director of GEC Large Machines, Managing Director of Alstom Transport and Chairman of Magnomatics, a venture capital-backed technology company, specialising in the development of innovative magnetic transmission drives for applications including wind turbines and hybrid vehicles. Mike is also a non-executive director of Ceres Power Holdings plc and Aerospace Tooling Ltd. He has a BSc in Electrical Engineering, a PhD in Electrical Machines and is a Fellow of the Royal Academy of Engineering.

BOARD OF DIRECTORS continued



JOHN ANTHONY CLIFFORD WOODLEY

Non-Executive Director

John joined the Board on 22 September 2008. He was previously co-head of the power and gas-related commodity business for Europe and Asia at Morgan Stanley. He founded the very successful US electricity trading operations for Morgan Stanley in New York in 1994. After ten years with Morgan Stanley in New York, John moved to London to help build the electricity and electricity-related energy business outside the US. John is now based in Switzerland and acts as a senior adviser to Morgan Stanley.

John has a BSc Eng (Elec) from Wits University, Johannesburg, an MBA from Valdosta State University, Georgia and an MS Finance from Georgia State University.



IAN ANTHONY MACDONALD

Non-Executive Director

Ian was appointed to the Board on 11 December 2013. Ian retired as President of Hong Leong Finance Limited in December 2016 after almost 15 years in charge of Singapore's largest Finance Company. Ian was formerly the National Manager of Business Finance at Australian Guarantee Corporation Limited, a subsidiary of Australian financial giant, Westpac Banking Corporation. Ian is also currently engaged in advisory and non-executive roles in a number of unlisted entities.



IAN GEORGE COBBAN

Non-Executive Director

Ian was appointed to the Board on 3 August 2015. He has over 30 years' experience in the subsea construction, operations and maintenance industry. He first joined Subsea Offshore Ltd, a subsidiary of Subsea 7 S.A, a company listed on the Oslo Børs and a leading global contractor in seabed-to-surface engineering, construction and services to the offshore energy industry, as an Offshore Inspection Coordinator in 1985. Thereafter Ian held various positions within the business, including General Manager with responsibility for Asia Pacific and the Middle East; Vice President for Global Projects and Operations in Aberdeen; Vice President for the Gulf of Mexico, covering the US, Mexico and Trinidad; and Vice President, Health, Safety, Security, Environment and Quality at Subsea 7. Ian is currently Chief Operating Officer of the Global Energy Group.

DIRECTORS' REPORT

The Directors present the Annual Report of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is a vertically-integrated turbine supplier and project developer in the tidal power industry. It also holds equity positions in a diverse portfolio of tidal stream development projects. Further information on the Group's activities is contained in the Chief Executive Officer's Statement on pages 5 and 6.

A review of the business during the financial year is contained in the Chairman's Statement and Chief Executive Officer's Statement on pages 4 to 6.

DIRECTORS

The Directors in office at the date of this report are as follows:

John Mitchell Neill – *Independent Non-Executive Chairman*

Timothy James Cornelius – *Chief Executive Officer*

Duncan Stuart Black – *Non-Executive Director*

Michael Robert Lloyd – *Independent Non-Executive Director*

Ian Anthony Macdonald – *Independent Non-Executive Director*

John Anthony Clifford Woodley – *Non-Executive Director*

Ian George Cobban – *Independent Non-Executive Director*

Their biographies are shown on pages 7 and 8.

DIRECTORS' REMUNERATION

The report on the Directors' remuneration is set out on pages 18 to 21.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

During, and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement whose purpose was to enable the Directors to acquire benefits by acquiring shares in, or debentures of, the Company or any other body corporate, except as disclosed in the Remuneration Report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The interests of Directors in shares or debentures of the Company are disclosed in the Remuneration Report on page 18.

AUDITOR

The auditor, KPMG LLP have indicated their willingness to accept reappointment at the Company's Annual General Meeting ("AGM").

ANNUAL GENERAL MEETING

The Company's AGM will take place on Thursday 29 June 2017 at 10.00 am at the Offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA.

On behalf of the Board of Directors



John Mitchell Neill

Chairman of the Board

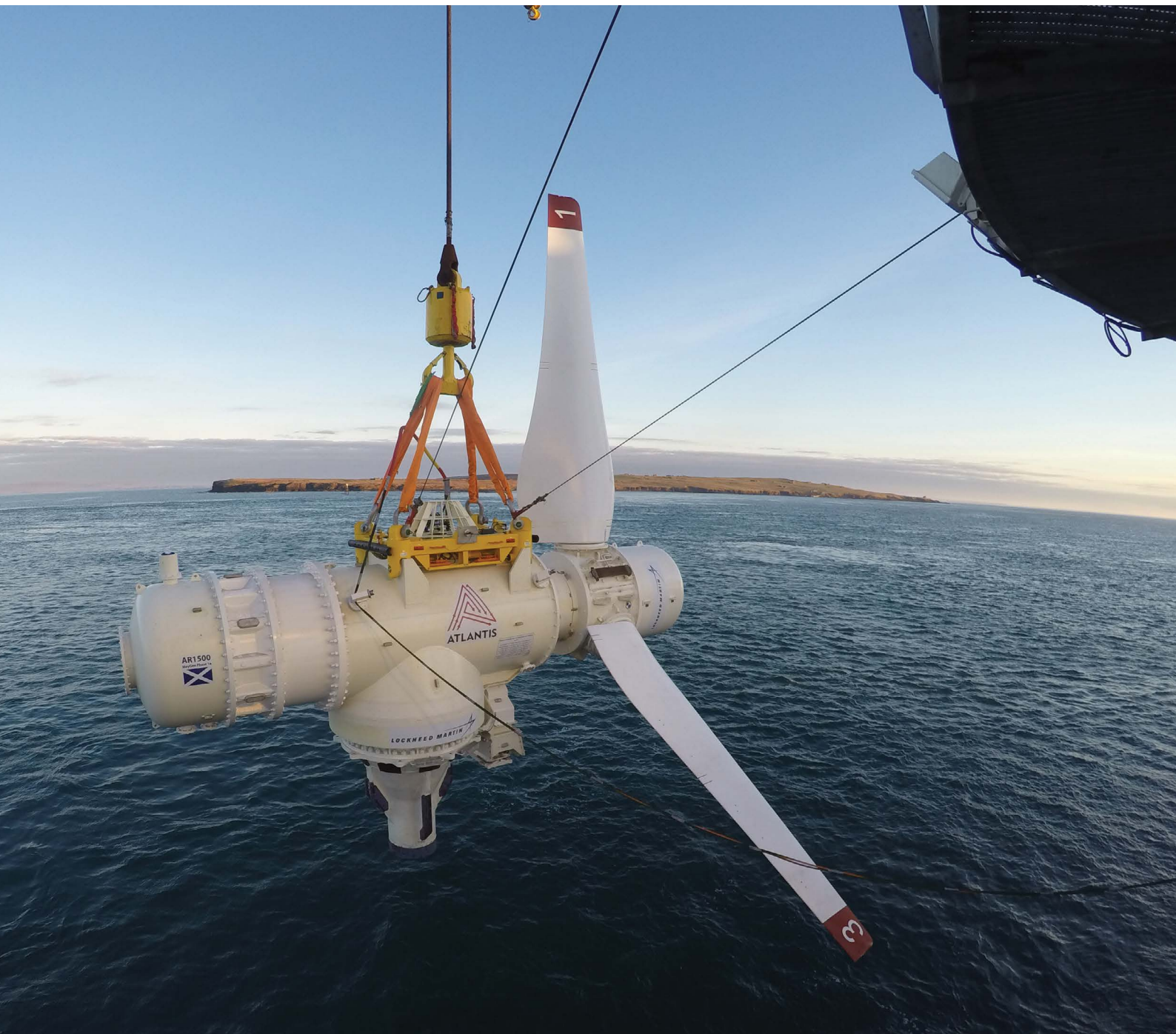
30 May 2017



Timothy James Cornelius

Chief Executive Officer

AR1500 1.5MW TURBINE BEING INSTALLED AT THE MEYGEN SITE



CORPORATE GOVERNANCE REPORT

The Company was incorporated in Singapore under the Singapore Companies Act and has been listed on the Alternative Investment Market of the London Stock Exchange (“AIM”) since 20 February 2014. The Board is committed to maintaining high standards of corporate governance in line with an effective and efficient approach to management and has continued to comply with the Corporate Governance Guidelines issued by the Quoted Companies Alliance (the “QCA Code”) where considered relevant and appropriate for a company of its size, nature and stage of development.

The QCA Code adopts key elements of the UK Corporate Governance Code, as well as other relevant guidelines and applies these to the needs and particular circumstances of small and mid-size quoted companies on a public market.

THE BOARD OF DIRECTORS

The Directors of the Company were in office during the whole of the year ended 31 December 2016.

The Board is collectively responsible for the effective oversight and long-term success of the Company. It agrees the strategic direction and governance structure to achieve the long-term success of the Company and deliver Shareholder value. In addition to setting the strategy, the Board takes the lead in areas such as financial policy and making sure the Company maintains a sound system of internal control. The Board’s full responsibilities are set out in a formal schedule of matters reserved for the Board.

There were five Board meetings during the year, and the Board also met for a number of management updates throughout the year.

The Board receives appropriate and timely information prior to each meeting. A formal agenda is produced for each meeting, and Board members are given a sufficient period of time to review these prior to the meetings taking place. Directors are encouraged to attend all Board meetings and meetings of Committees of which they are members.

The Board delegates authority to its Committees to carry out certain tasks on its behalf, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The composition and role of each Committee is summarised on pages 12 to 14.

The role of the Chairman and the Chief Executive Officer are separate with a distinct division of responsibilities. The Board of Directors comprises a non-executive Chairman, four independent non-executive Directors, two non-independent non-executive Directors and one executive Director: the Company’s Chief Executive Officer. The profiles of the current executive and non-executive Directors illustrating their relevant skills and experience can be found on pages 7 and 8.

John Woodley’s material relationship with the Company’s largest Shareholder, Morgan Stanley, leads to him being designated as a non-independent director. Duncan Black’s former position as Chief Financial Officer of the Company, leads to him being designated as a non-independent director.

The non-executive Directors, both independent and non-independent, contribute a wide range of skills and experience, forming a strong element within the Board. Each of the non-executive Directors brings individual character and judgement to bear on strategic matters and the performance of the Company.

All Directors are obliged by the Company’s constitution to retire on a rotating basis and are subject to re-election at the AGM. Accordingly, John Neill, Duncan Black, Ian MacDonald and John Woodley will stand for re-election at the forthcoming AGM.

The Board is satisfied that it maintains an effective and appropriate balance of skills to reflect the Company’s business, listing and stage of development. The Board is also satisfied that it has suitable levels of experience and independence to allow the Directors to discharge their duties and responsibilities effectively. With regard to those Directors who are offering themselves for re-election at the next AGM, the Board believes that they continue to make effective and important contributions to the Company’s success and that the Company and its Shareholders should support their re-election.

The Board is aware of the other commitments and interests of its Directors and effective procedures are in place to deal with any conflicts of interest which may arise. Any changes to these commitments and interests are reported to the Board at the earliest opportunity.

CORPORATE GOVERNANCE REPORT continued

The Chairman is responsible for providing leadership for the Board and ensuring its effectiveness in all aspects of its role, ensuring that Directors have sufficient resources available to them to fulfil their statutory duties. The Chairman is responsible for running Board meetings, ensuring there is sufficient challenge from non-executive Directors and a particular focus on strategic issues. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular, and by encouraging a constructive relationship between executive and non-executive Directors. Board members are encouraged to openly and constructively challenge proposals made by executive management. Board agendas are reviewed and agreed in advance to ensure each Board meeting utilises the Board's time most efficiently. The Board and its committees are provided with information on a timely basis in order to ensure proper assessment can be made of the matters requiring a decision or insight.

As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

The Directors meet at regular Board meetings, held at least four times a year, with additional meetings arranged as necessary. During the year to 31 December 2016, the number of scheduled Board meetings attended by each Director was as follows:

	<u>Attended</u>
John Mitchell Neill	5/5
Timothy James Cornelius	4/5
Duncan Stuart Black	5/5
Michael Robert Lloyd	5/5
Ian George Cobban	5/5
John Anthony Clifford Woodley	4/5
Ian Anthony Macdonald	5/5

The Board also holds regular update meetings with the Chief Financial Officer and senior management team, where financial and operational performance of the business is discussed.

BOARD COMMITTEES

The Board maintained the following four Committees during 2016:

- the Nomination Committee;
- the Remuneration Committee;
- the Audit Committee; and
- Technology Committee.

all of which were ultimately accountable to it.

These Committees operate within a scope and remit defined by specific terms of reference, as determined by the Board. The Committees' full terms of reference are available on the Company's website, www.atlantisresourcesltd.com.

The Executive Director is not a member of the Board Committees, although he may be invited to attend meetings.

Directors' attendance at Committee meetings held during 2016 is provided in the table below:

<u>Member/Committee:</u>	<u>Audit</u>	<u>Remuneration</u>	<u>Nomination</u>	<u>Technology</u>
	<u>Committee</u>	<u>Committee</u>	<u>Committee</u>	<u>Committee</u>
	<u>Attended</u>	<u>Attended</u>	<u>Attended</u>	<u>Attended</u>
John Mitchell Neill	–	2/2	1/1	–
Duncan Stuart Black*	1/1	–	–	–
Michael Robert Lloyd	–	2/2	1/1	1/1
Ian George Cobban	–	–	–	1/1
John Anthony Clifford Woodley	3/3	1/2	1/1	1/1
Ian Anthony Macdonald	3/3	–	–	–

* Mr Duncan Stuart Black was appointed as a member of the Audit Committee on 26 May 2016.

CORPORATE GOVERNANCE REPORT continued

AUDIT COMMITTEE

Chairman: Ian Anthony Macdonald

Member: John Anthony Clifford Woodley and Duncan Stuart Black

The Chairman of the Audit Committee has held senior financial positions in other listed companies, and the Board is satisfied that he has recent and relevant financial experience. The appointment of Mr Black to the Committee was on the basis of his financial experience and skills and the Board is satisfied that he contributes to the effectiveness of the Audit Committee.

The Audit Committee is required to meet not less than three times a year at appropriate times in the financial reporting and audit cycle and whenever otherwise necessary to fulfil its responsibilities. The Audit Committee's role is to assist the Board in discharging its responsibilities with regard to monitoring the integrity of financial reporting, overseeing the relationship with the external auditor, making recommendations to the Board regarding the appointment of the external auditor, and reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and Audited Financial Statements and the half-yearly reports remains with the Board.

The Audit Committee met three times during the course of 2016 and twice post year end. It has subsequently advised the Board that this Annual Report and Audited Financial Statements, taken as a whole, is fair, balanced and understandable for Shareholders to assess the Company's position and performance, strategy and business model.

The Report from the Audit Committee is set out on pages 15 to 17.

REMUNERATION COMMITTEE

Chairman: John Mitchell Neill

Members: Michael Robert Lloyd and John Anthony Clifford Woodley

The Remuneration Committee is required to meet at least twice a year and whenever otherwise necessary to fulfil its responsibilities. The role of the Remuneration Committee includes responsibility for setting the remuneration policy for executive directors and the Chairman and recommending and monitoring the level and structure of senior management remuneration. The objective of any remuneration policy determined by the Committee is to attract, retain and motivate executive management of suitable calibre without paying more than necessary, having regard to the views of Shareholders and stakeholders. The Remuneration Committee also approves targets and awards under performance-related pay schemes and reviews the design of share incentive plans.

The Remuneration Committee met twice during the course of 2016.

The Remuneration Report from the Remuneration Committee is set out on pages 18 to 21.

NOMINATION COMMITTEE

Chairman: John Mitchell Neill

Members: Michael Robert Lloyd and John Anthony Clifford Woodley

The Nomination Committee is required to meet at least twice a year and whenever otherwise necessary to fulfil its responsibilities. The committee is also assisted by executive search consultants as and when required. The role of the Nomination Committee is to assist the Board in determining its size, structure and composition, and that of the committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors as the need arises. The Nomination Committee is responsible for evaluating the balance of skills, knowledge, experience and diversity of the Board and keeps under review the leadership needs of the Company.

The Nomination Committee met formally during the year. No external consultants were engaged during this period. The Nomination Committee is mindful of the need to maintain an appropriate balance of skills, personalities and diversity on the Board to shape the direction of the Company going forward and future Board changes will take this into consideration.

The Nomination Committee supported and recommended to the Board the appointment of Mr Black as a member of the Audit Committee during the year.

CORPORATE GOVERNANCE REPORT continued

TECHNOLOGY COMMITTEE

Chairman: Michael Robert Lloyd

Members: John Anthony Clifford Woodley and Ian George Cobban

The Technology Committee is responsible for monitoring the integrity of the regular internal reporting on the status of technology development within the Company and for sanctioning the external reporting of key technology milestones. The Technology Committee also keeps under review the adequacy and effectiveness of the Company's internal engineering, internal management controls and risk management systems and ensures that core technology is being developed to plan and within agreed risk parameters. The Technology Committee is required to meet at least three times a year, however it only met once during the year as matters under consideration by the Technology Committee had been fully discussed by the Board.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. It approves all aspects of the overall risk management framework, including the strategic direction of the business, annual budgets and business plans, the risk management policy and delegations of authority. There is an agreed risk tolerance which is reflected in the Group's strategy and risk management activities are geared towards achieving business plans whilst safeguarding the Group's assets.

This system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss and the prevention and detection of fraud and other irregularities.

The Group's system of internal control includes an ongoing process of identifying, monitoring and managing risks by executive management, who ensure that adequate systems, processes and controls are in place. Reports are provided by management to the Audit Committee on internal control and risk management policies, and the Board monitors risk exposures, risk management activities and the effectiveness of controls. In particular, Health and Safety ("H&S") has been identified as a key area of risk to the business. The executive management team has constituted a CEO Safety Committee to monitor the systems used by the Company to manage H&S across all aspects of the business, as well as promoting strategic health, safety and environment issues throughout the Company.

In addition, the Board carries out a robust assessment of the principal risks facing the Company.

BOARD AND COMMITTEE EVALUATION

An evaluation of the effectiveness and performance of the Board and its Committees will be carried out.

SHAREHOLDER ENGAGEMENT

The Company is committed to ensuring that there is effective communication with Shareholders on matters such as governance and strategy so that the Board understands the views of large Shareholders on these issues and Shareholders receive a balanced and consistent view of the Company's performance. Communication is primarily through the AGM which provides an opportunity for Shareholders to meet and ask questions of Directors and management. The Company has an ongoing dialogue with investors by periodical public correspondence between the management and the Shareholders via the use of social media.

A range of corporate information is also available to Shareholders, investors and the public on the Company's website www.atlantisresourcesltd.com. All Shareholders will receive a copy of the audited financial statements. The interim reports are made available on the Company's website.

MAJOR SHAREHOLDER AND SHAREHOLDER ARRANGEMENT

In February 2014, the Company, N+1 Singer and Morgan Stanley Renewables Development 1 (Cayman) Limited ("Morgan Stanley Renewables"), which on admission held 42.4% of the Company's share capital, entered into a relationship agreement, the principal purpose of which is to ensure that the Company is capable at all times of carrying on its business independently of Morgan Stanley Renewables and its connected persons and to ensure all transactions and relationships between them and the Group are conducted at arm's length and on normal commercial terms. The terms of the relationship agreement remain unchanged from the AIM admission document.

AUDIT COMMITTEE REPORT

The Board has delegated responsibility to the Audit Committee to oversee the financial reporting of the Company, including the finance function, internal control and risk management and the effectiveness of the audit process. The Audit Committee provides independent oversight of both the senior management team and the external auditors. It regulatory reports to the Board on the execution of its duties and responsibilities.

The Audit Committee comprises three non-executive Directors (the “Members”), appointed by the Board, one of whom should have recent and relevant financial experience. Mr Duncan Black was appointed as a member of the Audit Committee on 26 May 2016, notwithstanding that he was considered non-independent in accordance with the QCA Code. The Nomination Committee and Board supported the recommendation in respect of Mr Black’s appointment as it was felt that his financial experience and knowledge was of great benefit to the Company. Further details on the Audit Committee’s membership and attendance records can be found in the Corporate Governance Report on pages 12 and 13.

The Company’s Chief Executive Officer and Chief Financial Officer may attend meetings by invitation and other members of the senior management team attend as required. The audit partner and audit manager from the Company’s external Auditors are invited to attend meetings on a regular basis.

The principal duties of the Audit Committee, which reports its findings to the Board, are to:

- monitor the integrity of the Company’s financial reporting and significant financial accounting policies and judgements;
- review the content of the Annual Report and Audited Financial Statements where requested by the Board, and advise on whether it is fair, balanced, understandable and provides the information necessary for Shareholders to assess the Company’s position and performance, business model and strategy;
- monitor the effectiveness of the Company’s internal controls and risk management framework;
- consider annually whether the Company should establish an internal audit function and make a recommendation to the Board accordingly;
- consider and make recommendations to the Board, to be put to Shareholders for approval at the Company’s AGM, in relation the appointment, re-appointment and removal of the Company’s external auditor;
- advise the Board on the appointment, terms of engagement and remuneration of the external auditor and monitor their independence; and
- review the effectiveness of the Company’s systems for the detection of fraud and the prevention of bribery.

The Audit Committee works closely with the Chief Financial Officer and senior management to ensure that the Committee is provided with the necessary information it requires to discharge its duties. The Audit Committee’s meeting agendas are based on annual reporting requirements and other ad-hoc issues which arise during the course of the year.

During 2016, the Audit Committee met on three occasions, at which a number of matters were considered including:

- Internal controls and risk management;
- Finance function overview;
- Financial statements and key assumptions;
- Review of financial statements for key subsidiaries;
- Review of the audit plan and fees;
- Review of external audit services;
- External auditor’s report to the Committee;
- The effectiveness of the audit process;
- External auditor re-appointment; and
- Assessment of the need for an internal audit function.

INSIGHTS INTO THE AUDIT COMMITTEE’S ACTIVITIES DURING THE YEAR

During the course of the year, the Audit Committee monitored the impact of the Company’s relocation of its headquarters from Singapore to Scotland and subsequent change of its functional currency to GBP. There are no concerns to report in respect of this financial year.

AUDIT COMMITTEE REPORT continued

The Audit Committee has reviewed, analysed and challenged the significant assumptions within the audited financial statements with an independent mindset. It has considered the application of materiality, the auditor's assessment of risks of material misstatements and how management has been responsive to the audit. No significant accounting issues have been identified during the reporting period.

The Audit Committee considers the two most significant judgement areas within the 2016 financial statements to be the carrying value of the MeyGen project and intangible assets, and the going concern assumptions. The Audit Committee debated the asset carrying values, and in particular the assumptions used in value-in-use models which supported them, and has satisfied itself that the assumptions fall within an acceptable range.

In relation to going concern, the Audit Committee has considered the financial forecasts prepared for the period of more than one year subsequent to the date of signing of the financial statements. The Group must operate within its available cash resources to meet its liabilities as they fall due. As set out in note 2.1 on page 35, the Group's financial forecasts show that this can be achieved. These financial forecasts are subject to certain key assumptions around the rescheduling of debt repayments totalling £3.2 million, the timing of receipt of further grant awards and the ability to take mitigating actions to reduce costs should the need arise. The Audit Committee debated these cash flow forecasts including the key assumptions and sensitivities, and has satisfied itself that it is appropriate to prepare the financial statements on the going concern basis.

The Audit Committee also conducts a review of the Company's subsidiaries' key financial performance and processes.

At the request of the Audit Committee, the Chief Financial Officer conducted an internal review of the Company's internal controls and risk and concluded that these sufficiently address the Company's risks. Following this internal review, PricewaterhouseCoopers ("PwC") were appointed to conduct a review of the design and operating effectiveness of the key financial controls of the Company. The Audit Committee considered and reviewed the findings of the PwC report, of which none were deemed critical or high risk by PwC, in addition to senior management's response to the PwC findings. The Audit Committee continues to monitor management's action plan to remediate the medium and low risk issues identified from the PwC review.

The Audit Committee considered the need for an internal audit function and has determined that there is no need for an internal audit function given the limited size of the Company and the robustness of the internal controls, a view that was supported by the third party review during the year. It has been agreed that the Audit Committee will consider the need for an internal audit function on an annual basis and will consider using a third party provider to undertake internal audit reviews.

The Audit Committee monitors and reviews the effectiveness of the external audit process, it undertakes a review of the audit plan and the audit results report. It also met with the external auditor without the presence of the management team during the year. The Audit Committee makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor. Any concerns with the effectiveness of the external audit process would be reported to the Board. The Audit Committee assessed the performance of the auditor in respect of the Annual Report. No concerns were raised in respect of the year ended 31 December 2016.

The Audit Committee has satisfied itself that safeguards were in place to protect the objectivity and independence of the auditor. Generally, it is the approach of the Audit Committee not to use the auditor for non-audit work.

Following consideration of the performance of the Auditor, the service provided during the year and a review of their independence and objectivity, the Audit Committee has recommended to the Board the continued appointment of KPMG LLP as the Company's external independent auditor.

Following the consideration of the above matters and its detailed review, the Audit Committee was of the opinion that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

AUDIT COMMITTEE REPORT continued

TERMS OF REFERENCE

The Audit Committee keeps its terms of reference under review and makes recommendations for changes to the Board. The full terms of reference are available on the Company's website at www.atlantisresourcesltd.com.

Approved and signed on behalf of the Board.



Ian Anthony Macdonald

Chairman of the Audit Committee

30 May 2017

REMUNERATION REPORT

This report includes details of the Directors' remuneration in 2016. Shareholders will be asked to approve the Remuneration Report at the forthcoming AGM.

REMUNERATION COMMITTEE

The members of the Remuneration Committee and the Remuneration Committee's role are set out on page 13.

REMUNERATION FRAMEWORK

The overall aim of the Company's remuneration framework is to provide appropriate incentives that reflect the Company's performance, culture and values. The Company also attempts to ensure that the remuneration guidelines and culture are sustainable, transparent and appropriate. The Company's framework aims to attract and retain high-performing employees and reward both short-term and long-term contributions to the Company.

The Remuneration Committee is satisfied that this framework successfully aligns the interests of executive Directors, senior managers and other employees with the Shareholders' long-term interests, by ensuring that an appropriate proportion of remuneration is directly linked to overall performance, in both the long and short term.

In determining the practicalities of the approach, the Remuneration Committee considers a range of internal and external factors and appropriate market comparisons against other companies of a similar size and nature.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement whose purpose was to enable the Directors to acquire benefits by acquiring shares in, or debentures of, the Company or any other body corporate, except as disclosed in this report.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the "Act"), none of the Directors of the Company holding office at the end of the financial year had any interests in the shares or debentures of the Company and its related corporations, except as follows:

Name of Directors and corporation in which interests are held	Shareholdings registered in the name of Directors		Shareholdings in which Director are deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
The Company				
John Mitchell Neill	377,501	377,501	–	–
Timothy James Cornelius	84,041	84,041	992,065 ⁽¹⁾	992,065 ⁽¹⁾
Duncan Stuart Black	1,042,419	1,042,419	–	–
Michael Robert Lloyd	188,287	188,287	–	–
Ian Anthony Macdonald	125,020	125,020	–	–

(1) Shares held by Languedoc Pte Limited, of which Timothy Cornelius is the sole Shareholder. These shares are subject to a charge in favour of Morgan Stanley Capital Group Inc as security for a S\$1,500,000 loan to Timothy Cornelius dated 12 November 2008.

REMUNERATION REPORT continued

EXECUTIVE DIRECTOR'S SERVICE CONTRACTS AND PAYMENTS FOR LOSS OF OFFICE

The CEO is employed under a service contract with a fixed period of notice of termination. His services may be terminated on a minimum of six months' notice by either party.

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Company's non-executive Directors are not committed by service contracts to the Company and are engaged by letters of appointment. These provide for three months' notice of termination by either party at any time, with no pre-determined amounts of compensation.

PAYMENTS TO PAST DIRECTORS

There have been no payments to past Directors in the year.

PAYMENTS FOR LOSS OF OFFICE

There have been no payments made to Directors for loss of office during the year.

ANNUAL REMUNERATION OF DIRECTORS

The table below sets out the annual remuneration of the Directors for the years ended 31 December 2016 and 31 December 2015. This includes any pension and employer's National Insurance contributions and excludes share-based payments.

Director	Annual remuneration	
	2016 £'000	2015 £'000
John Mitchell Neill	75	75
Timothy James Cornelius ⁽¹⁾	328	307
Duncan Stuart Black	25	185
Michael Robert Lloyd	36	36
Ian Anthony Macdonald ⁽²⁾	39	34
John Anthony Clifford Woodley ⁽²⁾	39	34
Ian George Cobban	36	14

(1) Timothy James Cornelius is employed by Atlantis Operations (UK) Limited.

(2) Ian Anthony Macdonald and John Anthony Clifford Woodley are both remunerated in Singapore dollars. Figures shown above are Great British Pounds equivalents, converted at the prevailing exchange rate.

The Remuneration Committee reviewed and recommended to the Board a revised remuneration package for the CEO, which was approved by the Board.

LONG TERM INCENTIVE PLAN ("LTIP")

On 11 December 2013, it was agreed, contingent on admission of the Company's shares to trading on Alternative Investment Market ("AIM"), that the Company offered certain senior management and Directors options over shares through an LTIP. In 2015, the rules of the LTIP were amended to allow the Board to determine the date on which awards granted under the LTIP can vest. As at the date of this report, other than the options granted to Timothy James Cornelius, there has been no change to vesting dates.

REMUNERATION REPORT continued

The options granted to Directors are shown below:

Name	Date of grant	Ordinary shares	Nature of award	Exercise price per share	Vesting period
Timothy James Cornelius ⁽¹⁾	30 September 2016	1,000,000	Option	£0.50	1/3 on 11 Dec 2016, 1/3 on 11 Dec 2017 and 1/3 on 11 Dec 2018
Duncan Stuart Black	11 December 2013	851,064	Option	£0.94	1/3 on each of first, second and third anniversary of grant
John Mitchell Neill	11 December 2013	1,063,830	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Michael Robert Lloyd	11 December 2013	106,383	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Ian Anthony Macdonald	11 December 2013	265,958	Option	£0.94	1/3 on each of first, second and third anniversary of grant

(1) During the year, the 1,063,830 share options with an exercise price of £0.94 per share were modified and replaced with 1,000,000 share options at an exercise price of £0.50 per share and vested for three years from 11 December 2015. The awards are exercisable until the tenth anniversary of date of grant. All other terms and conditions remain the same.

Vested awards for Directors, other than Timothy James Cornelius, are exercisable up until the fifth anniversary date of the grant.

Until awards vest or options are exercised, participants have no voting or other rights in the shares subject to the award. Ordinary shares issued or transferred pursuant to the LTIP rank pari passu in all respects with the ordinary shares then in issue except that they will not rank for any dividend/distribution of the Company paid or made by reference to a record date falling before the exercise date. The option is not assignable or transferable.

COMPANY SHARE OPTION PLAN ("CSOP")

On 10 November 2016, the Company established a Company Share Option Plan ("CSOP") to offer share options to employees. Under this programme, holders of the vested options are entitled to purchase shares at the proposed exercise price. The options are fully vested on the third anniversary of the date of the grant, and exercisable up until the tenth anniversary of the date of the grant. The shares acquired on the exercise of the option shall rank pari passu with all other shares then in issue except that they will not rank for any dividend/distribution of the Company paid or made by reference to a record date falling before the exercise date. The option is not assignable or transferable.

SHARE OPTIONS

(a) Long Term Incentive Plan ("LTIP")

Details of the options granted under the LTIP on unissued shares of the Company are as follows:

Date of grant	Balance at 1 Jan 2016	Granted	Exercised	Cancelled/lapsed	Balance at 31 Dec 2016	Exercise price per share	Exercisable period
11.12.2013	4,148,938	–	–	(1,117,022)	3,031,916	£0.94	20.02.2014 to 20.02.2019
01.01.2016	–	650,000	–	–	650,000	£0.50	01.01.2016 to 01.01.2026
30.09.2016	–	1,000,000	–	–	1,000,000	£0.50	30.09.2016 to 30.09.2026
05.12.2016	–	1,195,000	–	–	1,195,000	£0.50	05.12.2016 to 05.12.2026
Total	4,148,938	2,845,000	–	(1,117,022)	5,876,916		

REMUNERATION REPORT continued

(b) Company Share Option Plan

Details of the options granted under the CSOP on unissued ordinary shares of the Company are as follows:

Date of grant/ modification	Balance at 1 Jan 2016	Granted	Exercised	Cancelled/ lapsed	Balance at 31 Dec 2016	Exercise price per share	Exercisable period
10.11.2016	–	485,714	–	–	485,714	£0.700	11.11.2016 to 11.11.2026
Total	–	485,714	–	–	485,714		

(c) Other than the above, no option to take up unissued shares of any corporation in the Group was granted and there were no shares of any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares. At the end of the financial year, other than the above, there were no unissued shares of any corporation in the Group under option.

SHAREHOLDER VOTE AT THE ANNUAL GENERAL MEETING

The 2016 Remuneration Report will be put to a Shareholder vote at the 2017 AGM.

The 2015 Remuneration Report was approved by Shareholders at the Company's AGM held on 30 June 2016.

Approved and signed on behalf of the Board.



John Mitchell Neill

Chairman of the Remuneration Committee

30 May 2017

DIRECTORS' STATEMENT

We are pleased to submit this Annual Report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

- (a) the financial statements set out on pages 29 to 83 are drawn up so as to give a true and fair view of the financial position and changes in equity of the Group and of the Company as at 31 December 2016 and the financial performance and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and International Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these Financial Statements for issue.

On behalf of the Board of Directors



John Mitchell Neill

Chairman of the Board

30 May 2017



Timothy James Cornelius

Chief Executive Officer

INSIDE MEYGEN'S POWER CONVERSION CENTRE AT NESS OF QUOYS, CAITHNESS



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATLANTIS RESOURCES LIMITED



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REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Atlantis Resources Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of changes in equity for the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 29 to 83.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards (IFRS) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern basis of accounting

(Refer to Note 2.1 to the financial statements)

The key audit matter

The Group incurred a net loss of £7.3 million during the year ended 31 December 2016. As at 31 December 2016, its current liabilities exceed its current assets by £201,000 and it had loans and borrowings of £32.4 million, of which £2.8m is due within 12 months from 31 December 2016. At the date of approval of these financial statements, the Group had recently raised £4.05 million before expense following a share placement (Note 32) which will give it sufficient available cash resources to meet its liabilities as they fall due in the next 12 months. However management is forecasting continued net cash outflows over the next 12 months which indicate that in certain periods, cash and cash equivalents available for use will be limited.

In order to assess its ability to continue as a going concern management has prepared cash flow forecasts, including sensitivity to changes in underlying assumptions with lower funds raised from share placement and non-receipt of certain grant funding and project income, for the period of more than one year from the date of approval of these financial statements. These forecasts indicate that it can continue to operate within its available facilities, taking mitigating actions if necessary, and meet its liabilities as they fall due. These forecasts are dependent upon a number of key assumptions including the re-scheduling of debt repayments of £3.2 million, receipt of grant funding, *recovery of cash placed as collateral* and the ability to take mitigating action to reduce costs should this be required.

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

ATLANTIS RESOURCES LIMITED
AND ITS SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATLANTIS RESOURCES LIMITED continued

As this assessment involves consideration of uncertain future events, there is a risk that the judgement is inappropriate and the required disclosures in the financial statements is inadequate.

How the matter was addressed in our audit

We assessed the principles and integrity of the financial forecast using our own internal specialists who are experienced in this area.

We critically assessed management's assertions surrounding rescheduling repayment of loans due to be settled in this year by evaluating correspondence with the counterparty and challenging those assertions based upon our knowledge of that party and discussions with them.

We challenged the assertions made by management in relation to mitigating actions it could take to reduce costs if necessary based on our knowledge of the client and the industry in which it operates. Additionally through discussions with management we assessed their intent to take these mitigating actions should the need arise.

We challenged management's assumptions concerning the timing of receipt of future grant payments by inspecting relevant correspondence and considering the likelihood that the relevant conditions for receipt will be met.

We performed a sensitivity analysis on the financial forecasts by removing forecast receipts of revenue which are uncertain and delaying the forecast receipt of amounts which are subject to timing risk and assessing the impact on anticipated headroom.

We considered the adequacy of the required disclosures in Note 2.1 to the financial statements with reference to relevant accounting standards and Financial Reporting Council guidance.

Our findings

The Group has prepared cash flow forecasts with appropriate sensitivities which demonstrate that it can meet its liabilities as they fall due for the period of at least 12 months from the date of approval of these financial statements, taking certain mitigating actions if necessary. The cash flow forecasts use supportable assumptions and the mitigating actions which can be taken are within the control of the Group, however at certain periods within the next 12 months the cash headroom is forecast to be tight. Overall the results of our evaluation indicate that it is appropriate to prepare the financial statements on the going concern basis and the disclosures setting out the risks are adequate.

Impairment assessment of Intangible Assets and Property, Plant and Equipment ("PPE")

(Refer to Notes 11 and 12 to the financial statements: £99.018m)

The key audit matter

Intangible assets and PPE form 86% of the Group's total assets. They consist of the costs associated with the current project under development (MeyGen) together with acquired turbine technology assets and sea bed options. The assets are categorised into cash generating units ("CGUs"). In assessing the recoverable amount of these CGUs the Group has used discounted cash flow models to calculate their value in use. Due to the stage of development of the Group's assets, there is significant judgement and estimation involved in preparing the cash flow models. There is a risk of impairment should the value in use is assessed to be lower than the carrying value of the assets.

How the matter was addressed in our audit

Our procedures included:

- comparing the Group's process for identifying and reviewing the CGUs subject to impairment testing against the requirements of relevant accounting standards;
- utilising our valuation specialists to evaluate the basis and methodology adopted to calculate the value in use of the CGUs;
- challenging with the support of our internal experts the assumptions used in the cash flow projections based on our knowledge of the client and experience of the industry in which it operates; and
- performing sensitivity analysis to assess the effect of changes in assumptions in the cash flow models on the calculated value in use.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATLANTIS RESOURCES LIMITED continued

Our findings

The Group has a process for identifying and reviewing the appropriate CGUs for impairment testing which complies with relevant accounting standards. The value in use cash flow models utilise supportable assumptions, albeit the discount rates for certain seabed options are at the optimistic end of the acceptable range. Overall, based on the results of our evaluation, we concur with management that no impairment allowance is required for intangible assets and PPE.

Other Information

Management is responsible for the other information. The other information comprises the Chairman's Statement, Chief Executive Officer's Statement, Corporate Governance Report, Board of Directors, Directors' Statement, Audit Committee Report, Remuneration Report, and Company Information (the Reports) in the Annual Report but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 SSAs 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATLANTIS RESOURCES LIMITED continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

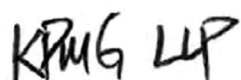
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Ang Fung Fung.



KPMG LLP

Public Accountants and

Chartered Accountants

Singapore

30 May 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Revenue	4	235	1,375
Other gains	5	2,824	13,288
Employee benefits expenses	6	(4,782)	(4,634)
Other operating expenses		(2,326)	(2,652)
Subcontractor costs		(249)	(615)
Depreciation and amortisation	11,12	(1,611)	(1,572)
Impairment loss on property, plant and equipment	11	–	(1,881)
Research and development costs		(140)	(618)
Total expenses		(9,108)	(11,972)
Results from operating activities		(6,049)	2,691
Finance costs	7	(1,004)	(614)
		(7,053)	2,077
Share of results of equity-accounted investees	8	(211)	(49)
(Loss)/profit before tax		(7,264)	2,028
Tax expense	9	–	–
(Loss)/profit for the year	10	(7,264)	2,028
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(148)	263
Other comprehensive income for the year, net of tax		(148)	263
Total comprehensive income for the year		(7,412)	2,291
(Loss)/profit attributable to:			
Owners of the Group		(7,716)	2,102
Non-controlling interests		452	(74)
Total comprehensive income attributable to:			
Owners of the Group		(7,864)	2,426
Non-controlling interests		452	(135)
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share	26	(0.06)	0.02

No dividends were proposed or declared in respect of any of the years presented above.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Assets					
Property, plant and equipment	11	62,694	41,114	10	21
Intangible assets	12	36,324	30,960	2,352	2,614
Investments in subsidiaries	13	–	–	13,221	13,272
Loans to subsidiaries	14	–	–	12,045	11,994
Investment in joint venture	8	–	211	–	–
Loan to joint venture	15	1,236	910	1,236	910
Trade and other receivables	16	–	–	17,042	11,083
		100,254	73,195	45,906	39,894
Non-current assets					
Trade and other receivables	16	4,868	6,207	68	78
Cash and cash equivalents	17	10,232	12,268	10	154
		15,100	18,475	78	232
Current assets					
		115,354	91,670	45,984	40,126
Liabilities					
Trade and other payables	18	10,172	8,477	2,232	1,690
Provisions	19	2,339	2,036	–	–
Loans and borrowings	20	2,790	2,128	198	209
		15,301	12,641	2,430	1,899
Current liabilities					
Loans and borrowings	20	29,592	17,451	314	330
Deferred tax liabilities	21	3,830	3,830	–	–
		33,422	21,281	314	330
Non-current liabilities					
		48,723	33,922	2,744	2,229
Total liabilities					
		66,631	57,748	43,240	37,897
Net assets					
Equity					
Share capital	22	91,220	84,918	91,220	84,918
Capital reserve	23	12,665	5,709	–	–
Translation reserve	24	7,167	7,315	(227)	(229)
Option fee	25	6	6	6	6
Share option reserve	25	3,191	3,078	3,191	3,078
Accumulated losses		(55,666)	(47,950)	(50,952)	(49,876)
		58,583	53,076	43,238	37,897
Total equity attributable to owners of the Company					
Non-controlling interests	13	8,048	4,672	–	–
		66,631	57,748	43,238	37,897
Total equity					

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Notes	Attributable to owners of the Company						Total £'000	Non- controlling interest £'000	Total £'000
		Share capital £'000	Capital reserve £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000			
Group										
At 1 January 2015		78,483	5,486	7,232	6	2,206	(50,052)	43,361	4,135	47,496
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	2,102	2,102	(74)	2,028
Other comprehensive income		–	–	83	–	–	–	83	180	263
Total comprehensive income for the year		–	–	83	–	–	2,102	2,185	106	2,291
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	22	6,435	–	–	–	–	–	6,435	–	6,435
Recognition of share-based payments	25	–	–	–	–	872	–	872	–	872
Changes in ownership interest in subsidiary										
Dilution of interest in a subsidiary without change in control	13(b)	–	223	–	–	–	–	223	431	654
Total transactions with owners		6,435	223	–	–	872	–	7,530	431	7,961
At 31 December 2015		84,918	5,709	7,315	6	3,078	(47,950)	53,076	4,672	57,748

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY continued

YEAR ENDED 31 DECEMBER 2016

	Notes	Attributable to owners of the Company						Total £'000	Non- controlling interest £'000	Total £'000
		Share capital £'000	Capital reserve £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000			
Group										
At 1 January 2016		84,918	5,709	7,315	6	3,078	(47,950)	53,076	4,672	57,748
Total comprehensive income for the year										
(Loss)/profit for the year		–	–	–	–	–	(7,716)	(7,716)	452	(7,264)
Other comprehensive income		–	–	(148)	–	–	–	(148)	–	(148)
Total comprehensive income for the year		–	–	(148)	–	–	(7,716)	(7,864)	452	(7,412)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	22	6,302	–	–	–	–	–	6,302	–	6,302
Recognition of share- based payments	25	–	–	–	–	113	–	113	–	113
Changes in ownership interest in subsidiary										
Dilution of interest in a subsidiary without change in control		–	6,956	–	–	–	–	6,956	2,924	9,880
Total transactions with owners		6,302	6,956	–	–	113	–	13,371	2,924	16,295
At 31 December 2016		91,220	12,665	7,167	6	3,191	(55,666)	58,583	8,048	66,631

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY continued

YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000
Company							
At 1 January 2015		78,483	(505)	6	2,206	(47,958)	32,232
Total comprehensive expense for the year							
Loss for the year		–	276	–	–	(1,918)	(1,642)
Total comprehensive income for the year							
		–	276	–	–	(1,918)	(1,642)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	22	6,435	–	–	–	–	6,435
Recognition of share-based payments	25	–	–	–	872	–	872
Total transactions with owners							
		6,435	–	–	872	–	7,307
At 31 December 2015		84,918	(229)	6	3,078	(49,876)	37,897
At 1 January 2016		84,918	(229)	6	3,078	(49,876)	37,897
Total comprehensive expense for the year							
Loss for the year		–	2	–	–	(1,076)	(1,074)
Total comprehensive income for the year							
		–	2	–	–	(1,076)	(1,074)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	22	6,302	–	–	–	–	6,302
Recognition of share-based payments	25	–	–	–	113	–	113
Total transactions with owners							
		6,302	–	–	113	–	6,415
At 31 December 2016		91,220	(227)	6	3,191	(50,952)	43,238

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
(Loss)/profit for the year		(7,264)	2,028
Adjustments for:			
Bargain purchase arising from business combination	13	–	(9,174)
Gain on disposal of subsidiary	5	–	(451)
Remeasurement gain on investment retained in the former subsidiary	5	–	(451)
Grant income	5	(1,958)	(2,834)
Interest income	5	(127)	(26)
Impairment loss on property, plant and equipment	11	–	1,881
Depreciation of property, plant and equipment	11	61	36
Amortisation of intangible asset	12	1,550	1,536
Interest expense	7	1,004	614
Share-based payments	6	113	872
Provisions made/written back during the year	19	432	150
Share of loss of joint venture, net of tax		211	49
Net foreign exchange		(467)	(261)
Operating cash flows before movements in working capital		(6,445)	(6,031)
Movements in trade and other receivables		(1,077)	113
Movements in trade and other payables		(5,775)	(996)
Net cash used in operating activities		(13,297)	(6,914)
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,150)	(18,252)
Expenditure on project development	12	–	(1,194)
Cash received from disposal of subsidiary	13 (d)	–	250
Acquisition of subsidiary, net of cash acquired	13 (c)	–	56
Net cash used in investing activities		(14,150)	(19,140)
Cash flows from financing activities			
Proceeds from grants received		5,577	13,281
Proceeds from issue of shares	22	6,539	2,500
Share issuance cost	22	(237)	(277)
Proceeds from borrowings		10,232	7,755
Deposits released		440	856
Non-controlling interest		3,300	896
Net cash from financing activities		25,851	25,011
Net decrease in cash and cash equivalents		(1,596)	(1,043)
Cash and cash equivalents at 1 January		10,182	10,992
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		–	233
Cash and cash equivalents at 31 December	17	8,586	10,182

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 May 2017.

1. DOMICILE AND ACTIVITIES

Atlantis Resources Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 80 Raffles Place, Level 36, Singapore 048624.

The principal activity of the Group is that of pioneering the development of tidal current power as a reliable, economic and secure form of renewable energy. The Company is an inventor, developer, owner, marketer and licensor of technology, intellectual property, trademarks, products and services and an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The financial statements of the Group as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Changes in functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In prior years, the Company regarded Singapore dollar ("SGD") as its functional currency. However, as a result of the relocation of the Group's corporate headquarters from Singapore to Edinburgh, Great British Pounds ("GBP") became the currency which mainly influences the Company's expenses. Management concluded that SGD is no longer its functional currency and, effective from 1 January 2016, the Company and two of its subsidiaries, Atlantis Projects Pte. Ltd and Atlantis Turbines Pte Limited changed their functional currencies from SGD to GBP. GBP has also been adopted as the presentational currency of the Group's consolidated financial statements.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with IAS 21 *The Effect of Changes in Foreign Currency Exchange Rate*. On the date of the change of functional currency, all assets, liabilities, issued capital and other components of equity and profit and loss account items were translated into GBP at the exchange rate on that date.

The change in presentation currency of the Group has been applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and the comparative figures as at 1 January 2015 and 31 December 2015 and for the financial year ended 31 December 2015 have also been restated to GBP accordingly.

The changes in functional and presentation currencies have no significant impact on the financial positions of the Group as at 1 January 2015 and 31 December 2015, or the results and cash flow of the Group for the financial year ended 31 December 2015.

The financial statements are presented in GBP (£), rounded to the nearest thousand.

Going concern

Cash flow forecasts have been prepared for the period beyond 31 May 2018, including sensitivity analyses. Since the year end, the Group has, as detailed in Note 32 raised £4.05 million, before expenses, from a share placement which gives the Group available cash resources to meet its liabilities as they fall due during the forecast period.

The Group is negotiating the rescheduling of repayment of certain of its debts and in this regard is in regular dialogue with the counterparty, whom it considers to be supportive. In addition, the Group expects to receive further grant payments under the terms of its Horizon 2020 grant funding. The Group is projected to operate within its available cash facilities for the forecast period, although mitigating action may be required to be taken in advance of periods when cash and cash equivalents available for use is forecast to be limited.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

While the directors cannot envisage all possible circumstances that may impact the Group in the future, the directors believe that, taking account of the forecasts, sensitised forecasts, future plans and available cash resources, the Group has sufficient resources to meet all its liabilities as they fall due for the foreseeable future.

Accordingly, after making reasonable enquiries, the directors have a reasonable expectation that the Group can continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Adoption of IFRS and revised standards

The adoption of the new and revised International Accounting Standards ("IASs") for the financial year beginning 1 January 2016 does not have a significant effect on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2.2. Basis of consolidation

The consolidated financial statements are prepared in conjunction with IFRS 10 *Consolidated Financial Statements* and incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity (Capital reserve) and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e., reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 7 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.3. Business combination

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 7 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the IFRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Goodwill

The Group measures goodwill at the acquisition date as:

- the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in joint venture (equity-accounted investee)

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

2.4. Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments other than those financial instruments classified as at fair value through profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Financial assets comprise loans and receivables.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term bank deposits with an original maturity of 3 months and cash on hand.

For the purposes of the consolidated statement of cashflows, pledged deposits are excluded.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Loans and borrowings (except for financial guarantee contract liabilities) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.16).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as fair value through profit and loss, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with IAS 18 *Revenue*.

Convertible loan notes

Convertible loans are regarded as compound instruments, consisting of a liability component and an equity component. The components of the compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.5. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.6. Property, plant and equipment

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

Freehold land is stated in the consolidated statement of financial position at cost, less any subsequent accumulated impairment losses.

Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purpose not yet determined, are carried at cost, less any recognised impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

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

Leasehold improvements	–	20%
Furniture, fixtures and equipment	–	25%
Computer equipment and software	–	25%

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

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

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

2.7. Intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Capitalisation of an internally generated asset is only permitted during the development phase.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Development activities must apply research findings for a business purpose, such as:

- the design, construction and testing of pre-production or pre-use prototypes and models;
- the design of tools, jigs, moulds and dies involving new technology;
- the design, construction and operation of a pilot plant that is not of a scale economically feasible for commercial production; and
- the design, construction and testing of a chosen alternative for new or improved materials, devices, products.

The cost of capitalised development activities should include all directly attributable costs necessary to create, produce and prepare an asset for a business purpose in the manner intended by management.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset so that it will be available for use or sale;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. Amortisation will begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Intellectual property

Intellectual property is measured initially at purchase cost and is subsequently measured at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the asset's expected estimated useful life. Intellectual property is tested for impairment annually, or more frequently when there is an indication that it may be impaired (see below for impairment testing).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.8. Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.10. Share-based payments

The Group issues equity-settled share-based payments to certain employees and directors.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

2.11. Government grants

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

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.12. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Consulting fees and sale of equipment

Consulting fees are measured at the fair value of the consideration received or receivable and represent amounts receivable for consulting services provided in the normal course of business, net of sales related taxes. Consulting fees are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Revenue for the sale of equipment is recognised when the risk and rewards of the product are transferred to the customer.

Licence and royalties

Licence and royalty revenue are recognised on an accrual basis in accordance with the substance of the relevant agreement. Licence and royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Licence and royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

2.13. Retirement benefit obligations

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.14. Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other 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 not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised 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 are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. 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 and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.15. Foreign currency transactions and translation

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of equity of the Company are presented in Great Britain Pounds, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. All exchange differences are recognised in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Great Britain Pounds using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

2.16. Finance costs

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

2.17. Segment reporting

The Group is currently focused on generating energy from tidal current power generation projects, development of these projects, and in developing its turbines for installation in those projects. It currently considers its business as three operating segments.

2.18. New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements.

Except as otherwise indicated below, those new standards, amendments to standards, and interpretations are not expected to have a significant effect on the financial statements of the Group. The Group does not plan to adopt these standards early.

- *IFRS 15 Revenue from Contracts with Customers*
IFRS 15 *Revenue from Contracts with Customers* will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and IFRIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 15 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

The standard establishes the principle for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements.

The Group has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. Based on its initial assessment, the Group does not expect the changes to have any material impact.

- *IFRS 9 Financial Instruments*
IFRS 9 *Financial Instruments* replaces most of the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

The Group has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. Based on its initial assessment, the Group does not expect the changes to have any material impact.

- IFRS 16 *Leases*

IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives*, and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.

The management is currently evaluating the impact of the implementation of this standard, in view of the complexities and the potential wide-ranging implications.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in Note 2, the critical accounting judgements that will have a significant effect on the amounts recognised in the financial statements and the key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Recoverability of project-under-construction

The Group tests its project-under-construction annually for impairment, or more frequently if there are indicators that it might be impaired. The recoverable amount is supported using both the subscription price of the shares in Tidal Power Scotland Limited ("TPSL") by DEME Concessions NV and the Scottish Power Renewables ("SPR") and by the estimated value-in-use of the MeyGen project. When value-in-use calculations are undertaken, management estimate the expected future cash flows from the cash generating unit and discount these in order to calculate present values. The key assumptions used are the expected cost and structure to fund the project and the discount rate to calculate present values.

The recoverable amount was determined by management to be in excess of the carrying value and accordingly no impairment loss has been recognised.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Useful lives of intangible assets

The useful lives are based on similar assets in the industry and taking into account anticipated technological changes. Judgement is required to determine the period over which the proprietary technology (to which the intangible assets relate) will continue to have economic value. Amortisation will commence upon the commercialisation of the assets. The Group reviews the useful lives of the intangible assets at the end of each reporting period.

Recoverability of intangible assets

The Group tests its intangible assets annually for impairment, or more frequently if there are indicators that they might be impaired. The recoverable amount is determined using a value-in-use calculation. The value-in-use was determined by discounting expected future cash flows, as described below.

The Group has identified three separate Cash Generating Units ("CGUs") amongst its intangible assets. Specifically these are:

- (i) Seabed options
- (ii) Development costs
- (iii) Intellectual property

The approach taken for the value-in-use calculation for each of these CGUs, together with the key assumptions, is set out below.

(i) Seabed options

This intangible asset relates to tidal lease options that allow the Group to enter into 25-year leases to use various seabed areas for development and operation of tidal stream energy projects.

The Group has used the greenfield method in order to estimate the value-in-use. This method aims to estimate the value of the subject asset based on discounted cash flows of a notional start up business with no assets but the subject asset. Key assumptions are made regarding the start up costs and capital investment required to utilise the asset. The greenfield method projects cash flows attributable to the subject assets by subtracting necessary investments. The cash flows are then discounted back to the Present Value using a discount rate commensurate with the specific project risk.

The key assumptions for the value-in-use calculation are those regarding the discount rate, the cost of debt, revenue per MWh, and forecast operating and capital costs.

The recoverable amount for each of the sites was determined to be in excess of the carrying value and accordingly no impairment loss has been recognised.

(ii) Development costs

This CGU relates to turbine sales, and consists of the intangible assets in relation to the "Global Technology License" acquired from Morgan Stanley and development costs in relation to design and commercialisation of the AR1500 turbines. The CGU is expected to generate cash flows from the supply of turbines.

The key assumptions when determining the value-in-use are the forecast turbine sale volumes, sales price and achievable margin, in addition to the discount rate.

The recoverable amount was determined to be in excess of the carrying value and accordingly no impairment loss has been recognised.

(iii) Intellectual property

This CGU relates to the turbine technology of Marine Current Turbines, and consists of intangible assets in relation to the development of turbine technology.

The key assumptions when determining the value-in-use are the forecast turbine sale volumes, sales price and achievable margin, in addition to the discount rate.

The recoverable amount was determined to be in excess of the carrying value and accordingly no impairment loss has been recognised.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Provision for decommissioning costs

Provision for decommissioning costs is recognised as part of the construction-in-progress related to a turbine. The provision is an amount equal to the directors' best estimate of the expenditure required to settle the Group's obligation.

Functional currency

In determining the functional currency of the Company, management has considered the primary economic environment in which the Company operates. As described in Note 2.1, effective from 1 January 2016, the Company and two of its subsidiaries, Atlantis Projects Pte. Ltd and Atlantis Turbines Pte. Limited changed their functional currencies from SGD to GBP, as a result of the relocation of the Group's corporate headquarters from Singapore to Edinburgh and GBP became the currency which mainly influences the Company's and the two subsidiaries' expenses. Management concluded that SGD is no longer its functional currency.

4. REVENUE

	Group	
	2016 £'000	2015 £'000
Consulting fees	235	1,375

5. OTHER GAINS

	Group	
	2016 £'000	2015 £'000
Interest income	127	26
Bargain purchase arising from business combination (Note 13(c))	–	9,174
Gain on disposal of subsidiary (Note 8, 13(d))	–	451
Re-measurement gain on investment retained in the former subsidiary (Note 8, 13(d))	–	451
Grant income	1,958	2,834
Other income	739	352
	2,824	13,288

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

Bargain purchase arising from business combination refers to negative goodwill arising from the acquisition of Marine Current Turbines Limited ("MCT") (see Note 13(c)).

Other income includes fees paid to a subsidiary for provision of active network management system to allow connection to a distribution grid, research and development tax credits and liquidated damages income.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

6. EMPLOYEE BENEFITS EXPENSES

The average number of employees (including executive directors) was:

	Group	
	2016 Number	2015 Number
Average number of employees (including executive directors)	53	48

Their aggregate remuneration comprised:

	Group	
	2016 £'000	2015 £'000
Wages, salaries and other short term benefits	3,663	3,022
Social security costs	582	480
Share-based payments (Note 25)	113	872
Other related costs	424	260
	4,782	4,634

7. FINANCE COSTS

	Group	
	2016 £'000	2015 £'000
Interest expense arising from:		
– loans from a related party	571	2
– long term loans	23	607
– Secured long term loans	302	–
– Others	108	5
	1,004	614

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

8. JOINT VENTURE

	Group	
	2016 £'000	2015 £'000
Investment in joint venture	–	211

In October 2015, the Company sold a 50% stake in Atlantis Operations Canada Limited (“AOC”) to DP Group Limited for a consideration of £250,000, to form a partnership to develop a multi-turbine array at the Fundy Ocean Research Centre for Energy (“FORCE”) facility in Bay of Fundy in Nova Scotia, Canada. Accordingly, the Group has classified its remaining interest in AOC as a joint venture, which is equity-accounted.

The divestment and re-measurement to the fair value of the Group’s remaining 50% interest resulted in a gain of £902,000, which is reflected as “other gains” in the consolidated statement of profit and loss and other comprehensive income (Note 5) for the year ended 31 December 2015.

The following table summarises the financial information of AOC, based on its financial statements prepared in accordance to IFRS, modified for fair value adjustments on acquisition.

	01/01/2016 to 31/12/2016 £'000	01/10/2015 to 31/12/2015 £'000
Loss/Total comprehensive income for the year/period¹	(535)	(98)
Non-current assets	1,600	1,372
Current assets ²	104	36
Non-current liabilities	(1,808)	(982)
Current liabilities	(10)	(5)
Net (liabilities)/assets	(114)	421
Group’s interest in net assets of investee at the beginning of the year/ acquisition date	211	250
Share of total comprehensive income	(211)	(39)
Carrying amount of interest in investee at end of the year	–	211

(1) Includes interest expense of £136,000 (2015: £2,000).

(2) Includes cash and cash equivalents of £20,000 (2015: £2,000).

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

9. TAX EXPENSE

	Group	
	2016 £'000	2015 £'000
Current tax expense		
Current tax expense	–	–

Singapore domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2016 £'000	2015 £'000
Reconciliation of effective tax rate		
(Loss)/Profit before tax	(7,264)	2,028
Tax using the Singapore tax rate of 17% (2015: 17%)	(1,235)	345
Effect of tax rates in foreign jurisdictions	(124)	(50)
Non-allowable items	267	405
Non-taxable income	(336)	(1,713)
Tax effect of deferred tax asset not recognised	1,428	1,013
	–	–

At the end of the reporting period, the Group has unutilised tax losses of £70,364,000 (2015: £63,100,000) available for offset against future profits. The amount of the Company's unutilised tax losses available for offset against future profits is £33,152,000 (2015: £32,076,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

10. (LOSS)/PROFIT FOR THE YEAR

The following items have been included in arriving at profit/(loss) for the year:

		Group	
	Note	2016 £'000	2015 £'000
Depreciation	11	61	36
Amortisation	12	1,550	1,536
Impairment loss on property, plant and equipment	11	–	1,881
Auditor's remuneration			
– Audit and audit related fees		113	151
Share-based payments	25	113	872
Rental expenses		494	279
Net foreign exchange (gains)/losses		(467)	187

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land £'000	Leasehold Improvements £'000	Furniture, fixture & equipment £'000	Computer equipment & software £'000	Construction -in-progress £'000	Project-under-construction £'000	Total £'000
Cost							
At 1 January 2015	20	33	30	429	1,889	32,199	34,600
Additions	–	–	81	51	2	19,854	19,988
Reimbursed by grants	–	–	–	–	–	(11,006)	(11,006)
Exchange differences	–	–	–	(5)	(1)	(93)	(99)
At 31 December 2015	20	33	111	475	1,890	40,954	43,483
Additions	–	–	2	–	–	22,846	22,848
Reimbursed by grants	–	–	–	–	–	(1,203)	(1,203)
Disposals	–	–	–	–	(1,890)	–	(1,890)
Exchange differences	–	–	(29)	–	–	–	(29)
At 31 December 2016	20	33	84	475	–	62,597	63,209
Accumulated depreciation							
At 1 January 2015	–	6	21	411	–	–	438
Depreciation for the year	–	14	14	8	–	–	36
Impairment loss	–	–	–	–	1,881	–	1,881
Exchange differences	–	–	–	5	9	–	14
At 31 December 2015	–	20	35	424	1,890	–	2,369
Depreciation for the year	–	13	33	15	–	–	61
Disposals	–	–	–	–	(1,890)	–	(1,890)
Exchange differences	–	–	(25)	–	–	–	(25)
At 31 December 2016	–	33	43	439	–	–	515
Carrying amounts							
At 1 January 2015	20	27	9	18	1,889	32,199	34,162
At 31 December 2015	20	13	76	51	–	40,954	41,114
At 31 December 2016	20	–	41	36	–	62,597	62,694

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT continued

Company	Furniture fixture & equipment £'000	Computer equipment & software £'000	Total £'000
Cost			
At 1 January 2015	30	382	412
Additions	–	16	16
Exchange difference	–	(5)	(5)
At 31 December 2015	30	393	423
Disposals	(30)	–	(30)
Exchange difference	–	–	–
At 31 December 2016	–	393	393
Accumulated depreciation			
At 1 January 2015	21	377	398
Additions	3	6	9
Exchange difference	–	(5)	(5)
At 31 December 2015	24	378	402
Depreciation for the year	3	5	8
Disposals	(27)	–	(27)
At 31 December 2016	–	383	383
Carrying amounts			
At 1 January 2015	9	5	14
At 31 December 2015	6	15	21
At 31 December 2016	–	10	10

(a) Construction-in-progress

In 2015, as a result of the continued delay in obtaining the regulatory approval by a potential customer, management assessed the probability of the approval being obtained in the future to be remote and with the increased rate in obsolescence of the AR1000 turbine technology, management concluded that an impairment was required on the carrying amount of the AR1000 turbine. Accordingly, a full impairment loss of £1,881,000 was recognised in profit or loss. The asset was subsequently disposed of in 2016 with no gain or loss being recorded.

(b) Project-under-construction

Construction costs of the MeyGen project capitalised during the year totalled £22,846,000 (2015: £19,854,000). Included in this amount are capitalised borrowing costs amounting to £1,621,000 (2015: £815,000), which corresponds to an average interest cost on borrowings of 6% (2015: 5%) per annum.

Aggregate grants of £13.3 million, comprising a £10 million grant from the United Kingdom's Department of Energy and Climate Change, and two grants from Scotland's Highlands and Islands Enterprise totalling £3.3 million, were awarded for MeyGen project in August 2014. Grants received where the conditions attached to them have been complied with were recorded as a deduction from the carrying amount of the project-under-construction in accordance with the accounting policy stated in Note 2.

(c) Security

At 31 December 2016, assets of subsidiaries with carrying amounts of £62,685,000 (2015: £41,042,000) were pledged as security on long term loans (Note 20(e)).

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

12. INTANGIBLE ASSETS

Group	Global technology licence £'000	Intellectual property £'000	Development costs £'000	Seabed options £'000	Tidal data £'000	Development project-in-progress £'000	Total £'000
Cost							
At 1 January 2015	8,223	581	14,346	–	1,465	2,312	26,927
Additions	–	–	–	–	–	1,194	1,194
Acquisition through business combination	–	2,582	–	9,871	–	–	12,453
Reimbursed by grants	–	–	–	–	–	(1,857)	(1,857)
Exchange differences	–	(30)	(117)	(83)	–	61	(169)
At 31 December 2015	8,223	3,133	14,229	9,788	1,465	1,710	38,548
Additions	–	–	–	6,580	–	–	6,580
Exchange differences	–	–	153	–	–	234	387
At 31 December 2016	8,223	3,133	14,382	16,368	1,465	1,944	45,515
Accumulated amortisation							
At 1 January 2015	2,221	155	3,730	–	–	–	6,106
Amortisation for the year	546	38	952	–	–	–	1,536
Exchange differences	(26)	(2)	(26)	–	–	–	(54)
At 31 December 2015	2,741	191	4,656	–	–	–	7,588
Amortisation for the year	548	38	964	–	–	–	1,550
Exchange differences	–	–	53	–	–	–	53
At 31 December 2016	3,289	229	5,673	–	–	–	9,191
Carrying amounts							
At 1 January 2015	6,002	426	10,616	–	1,465	2,312	20,821
At 31 December 2015	5,482	2,942	9,573	9,788	1,465	1,710	30,960
At 31 December 2016	4,934	2,904	8,709	16,368	1,465	1,944	36,324

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

12. INTANGIBLE ASSETS continued

Company	Intellectual property £'000	Development costs £'000	Total £'000
Cost			
At 1 January 2015, 31 December 2015, and 31 December 2016	573	3,347	3,920
Accumulated amortisation			
At 1 January 2015	155	904	1,059
Amortisation for the year	38	222	260
Exchange difference	(2)	(11)	(13)
At 31 December 2015	191	1,115	1,306
Amortisation for the year	38	224	262
At 31 December 2016	229	1,339	1,568
Carrying amounts			
At 1 January 2015	418	2,443	2,861
At 31 December 2015	382	2,232	2,614
At 31 December 2016	344	2,008	2,352

(a) *Global technology licence*

This licence grants the Group an exclusive, perpetual, world-wide licence of the rights to use, deploy and manufacture certain proprietary technology in respect of turbines and related infrastructure used in tidal energy generation, including the Aquanator technology.

The Group estimated that the technology has a useful life of approximately 15 years.

(b) *Intellectual property*

Intellectual property includes technical know-how, international patent applications and registered trademarks of the Company.

During the prior year, the Group acquired intellectual property and seabed options upon the acquisition of the MCT group (Note 13). The MCT group is engaged in the design and assembly of tidal turbines and the development of tidal power generation projects. Amortisation has not commenced for the intellectual property relating to these tidal turbines as they are still in the development stage.

The Group estimated that the intellectual property costs have a useful life of approximately 15 years.

(c) *Development costs*

Development costs include expenditure on planning or designing activities for the production of new or substantially improved tidal turbine products and processes. The Group estimated that the development costs have a useful life of approximately 15 years.

(d) *Seabed options*

Seabed options relate to options that allow the Group to enter into a 25-year lease to use the seabed for development and operation of the tidal stream energy projects. The seabed options will commence amortisation when leases are entered into for these projects.

In May 2016, the Group, via its Scottish project development vehicle, TPSL, acquired SPR's portfolio of tidal projects valued at £6.6 million, in exchange for a 6% shareholding in TPSL (Note 13(b)).

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

12. INTANGIBLE ASSETS continued

(e) Tidal data

Tidal data relates to key information on tidal flows which is crucial to the development of the MeyGen project and little or no obsolescence is expected. The tidal data will be amortised over 15 years, upon commissioning of the project.

(f) Development project-in-progress

Development project-in-progress relates to on-going development of the Group's AR1500 turbine. The Group has obtained grant funding from the European Commission under the Commercial Energy Array for Widespread Acceleration of Tidal European Resources grant. The development cost will commence amortisation upon successful commercialisation of the turbine technology.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 £'000	2015 £'000
Unquoted equity shares, at cost	13,221	13,272

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held	
			2016 %	2015 %
Atlantis Turbines Pte. Limited ⁽³⁾	Investment holding	Singapore	100	100
Atlantis Energy Pte Limited ⁽¹⁾	Dormant	Singapore	100	100
Atlantis Licensing Pte Limited ⁽¹⁾	Dormant	Singapore	100	100
ARC Operations (Singapore) Pte Limited ⁽¹⁾	Dormant	Singapore	100	100
Atlantis Projects Pte. Ltd ⁽³⁾	Investment holding	Singapore	100	100
Atlantis Resources International Pte Limited ⁽¹⁾	Provision of operational services to the Group	Singapore	100	100
Atlantis Resources (Gujarat Tidal) Pte Limited ⁽¹⁾	Dormant	Singapore	50	50
ARC Operations Pty Limited ⁽⁴⁾	Provision of operational services to the Group	Australia	100	100
Current Resources (Cayman) Limited ⁽⁴⁾	Provision of operational and administrative services to the Group	Cayman Islands	100	100
Atlantis Resources (Scotland) Limited ⁽⁵⁾	Provision of project management and consulting services	United Kingdom	100	100
Name of subsidiary held by Current Resources (Cayman) Limited				
Atlantis Operations (UK) Limited ⁽⁵⁾	Provision of operational services to the Group	United Kingdom	100	100
Name of subsidiary held by Atlantis Projects Pte. Limited				
Tidal Power Scotland Limited ⁽⁵⁾	Investment holding	United Kingdom	92	100
Stroma Tidal Power Limited (previously known as Atlantis Resources Development Limited) ⁽⁵⁾⁽⁶⁾	Development of tidal power generation project	United Kingdom	100	N/A

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

13. INVESTMENTS IN SUBSIDIARIES continued

Name of subsidiary	Principal activities	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held	
			2016 %	2015 %
Name of subsidiary held by Tidal Power Scotland Limited				
MeyGen Holdings Limited (previously known as Tidal Power Scotland Holdings Limited) ⁽⁵⁾	Investment holding	United Kingdom	83	85
Islay Holdings Limited ⁽¹⁾	Development of tidal power generation project	United Kingdom	100	100
Duncansby Tidal Power Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Name of subsidiary held by MeyGen Holdings Limited				
MeyGen Limited ⁽²⁾⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Name of subsidiary held by Islay Holdings Limited				
Islay Tidal Power Limited ⁽¹⁾	Development of tidal power generation project	United Kingdom	100	100
Name of subsidiary held by Atlantis Turbines Pte Limited				
Marine Current Turbines Limited ⁽⁵⁾	Development of turbines and projects	United Kingdom	100	100
Name of subsidiary held by Marine Current Turbines Limited				
Sea Generation Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Sea Generation (Wales) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Sea Generation (Kyle Rhea) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Sea Generation (Brough Ness) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100

(1) Not required to be audited as the subsidiaries are dormant.

(2) As at 31 December 2016 and 31 December 2015, shares in MeyGen Limited were pledged as security on long term loans (see Note 20).

(3) Audited by KPMG LLP, Singapore.

(4) Not required to be audited by law in its country of incorporation.

(5) Audited by KPMG LLP, United Kingdom.

(6) Incorporated 25 May 2016.

(a) Share-based payments

During the financial year, share-based payments granted by the Company resulted in an increase in the deemed investment in Atlantis Resources (Scotland) Limited ("ARSL") and Marine Current Turbines Limited ("MCT") amounting to £76,000 (2015: £24,000) and £2,000 (2015: £NIL) respectively. Correspondingly, as a result of a modification of share-based payments, there is a decrease in the deemed investment in Current Resources (Cayman) Limited in 2016 of £129,000 (2015: increase of £221,000).

(b) Dilution of interest in subsidiary

Tidal Power Scotland Limited ("TPSL")

In May 2016, the Group, via its Scottish project development vehicle, TPSL, acquired Scottish Power Renewables ("SPR") portfolio of tidal projects valued at £6.6 million, in exchange for a 6% shareholding in TPSL. The SPR tidal power portfolio, which is recorded as intangible assets, consists of two sites, a 10 MW project at the Sound of Islay in Western Scotland and a 100 MW development at the Ness of Duncansby, Scotland. The project assets include agreements for lease with The Crown Estate for both sites, as well as governmental grid connection offer and construction consents for the Sound of Islay site. The Sound of Islay project has been awarded £17.3 million (€20.7 million) of grant funding from the European Commission's NER300 fund by way of capital and revenue support.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

13. INVESTMENTS IN SUBSIDIARIES continued

Subsequently in August 2016, DEME Concessions NV, a member of the DEME Group, ("DEME") paid £2 million in cash consideration for a 2% stake in TPSL. DEME Group undertook an active role in the MeyGen Phase 1A installation through DEME's subsidiary, Geosea NV ("GeoSea"), a specialist in complex offshore marine engineering projects. Geosea, installed all heavy turbine foundation structures for MeyGen Phase 1A with its jack-up vessel MV "Neptune". In addition, DEME has certain rights in respect of further equity funding at financial close of the Sound of Islay project and Phase 1C of the MeyGen project.

The Group retains the remaining 92% of TPSL.

MeyGen Holdings Limited ("MGHL")

Under the terms of a Subscription Agreement, as at 31 December 2016, Scottish Enterprise, as administrator of the Renewable Energy Investment Fund, had made an equity investment of £12.1 million (2015: £10.8 million) in MGHL, while the Company, via APPL and TPSL, had subscribed for a total of £9.7 million (2015: £9.7 million) in new shares of MGHL. As a result, at 31 December 2016, Scottish Enterprise had a 16.55% (2015: 15%) shareholding in MGHL, with APPL retaining the remaining shareholding of 83.45% (2015: 85%) via TPSL. The Group recognised £775,000 (2015: £223,000) in equity, which represents the difference between the consideration received from Scottish Enterprise and the net assets attributable to Scottish Enterprise.

The following table summarises the information relating to Group's material non-controlling interest ("NCI") in MeyGen Limited, based on its financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	2016 £'000	2015 £'000
NCI percentage	23%	15%
Non-current assets	62,209	44,751
Current assets	12,109	11,094
Non-current liabilities	(31,485)	(19,074)
Current liabilities	(8,644)	(5,651)
Net assets	34,189	31,120
Net assets attributable to NCI	7,941	4,672
Cash flows from/(used in) operating activities	5,021	(294)
Cash flows from/(used in) investing activities	(18,406)	(19,213)
Cash flows from financing activities	15,296	16,897
Net increase/(decrease) in cash and cash equivalents	1,911	(2,610)
	2016 £'000	2015 £'000
Profit/(Loss) for the year	2,182	(489)
Other comprehensive income	–	1,197
Total comprehensive income	2,182	708
Attributable to NCI:		
Profit/(Loss) for the year	452	(74)
Other comprehensive income	–	180
Total comprehensive income	452	106

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

13. INVESTMENTS IN SUBSIDIARIES continued

Following the dilution of interest in TPSL and MGHL, the effect of changes in the Group's ownership interest in MeyGen Limited is as follows:

	2016 £'000	2015 £'000
Group's ownership interest at 1 January	26,089	24,592
Effect of dilution of interest	(1,570)	1,302
Share of profit or loss	1,730	195
Group's ownership interest at 31 December	26,249	26,089

(c) Acquisition of subsidiary in 2015

On 1 July 2015, Atlantis Turbines Pte. Limited, a wholly owned subsidiary of the Company, with the Company as guarantor, pursuant to a sale and purchase agreement dated 28 April 2015, successfully completed the acquisition of the whole of the issued share capital of MCT, a company incorporated in United Kingdom, from Siemens AG ("Siemens"). MCT and its group of companies are engaged in the design, assembly and sale of tidal turbines, and the development of tidal power generation projects. The acquisition of MCT allows the Group to broaden its turbines offering to include lighter weight turbines suitable for lower intensity sites and floating applications, as well as providing a pipeline of six tidal power generation development projects with a combined potential capacity of almost 200 MW.

Consideration for the purchase was the issuance by the Company of new shares to Siemens, such that immediately following the issuance of such shares, Siemens became a 9.99% Shareholder of the Company. On the basis of the Company's share price at market close on the date of completion of the acquisition, the fair value of the shares issued was £4,212,420.

The acquisition-related costs amounting to £320,000 were excluded from the consideration transferred and were recognised as an expense in profit and loss in 2015 within the "other operating expenses".

The acquired business contributed losses and revenue amounting to £763,000 and £Nil respectively to the Group's results for the period from 1 July 2015 to 31 December 2015. Had MCT been consolidated from 1 January 2015, the Group's consolidated revenue and consolidated loss for the year ended 31 December 2015 would have been £1,375,000 and £1,065,000 respectively.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

13. INVESTMENTS IN SUBSIDIARIES continued

A purchase price allocation exercise was conducted to determine the valuation of the acquisition. The following summarises the identifiable assets acquired and liabilities at the acquisition date.

Identifiable assets acquired and liabilities assumed at 1 July 2015

	Acquiree's carrying amount before business combination £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	12,453	12,453
Total non-current assets	–	12,453	12,453
Current assets			
Cash and cash equivalents	56	–	56
Other receivables	2,700	–	2,700
Total current assets	2,756	–	2,756
Current liabilities			
Trade and other payables	(303)	–	(303)
Provision for decommissioning	(1,520)	–	(1,520)
Total current liabilities	(1,823)	–	(1,823)
Total identifiable net assets	933	12,453	13,386

Intangible assets

Intangible assets refer to the marine current turbine technology and seabed options.

Marine current turbine technology

The fair value was determined after taking into account the potential sales revenue arising from the sale of turbines and the associated costs of the turbines discounted at a rate of 20%, and applying a probability factor of 33% to reflect the probability of the technology reaching commercialisation phase.

Seabed options

Seabed options allow MCT the right to enter into a 25-year lease to use the seabed for development and operation of the tidal stream energy projects. At the date of acquisition, 1 July 2015, the fair value of the options, amounted to £9,788,000, taking into account the future cash flows based on the following assumptions:

- operating revenues are a function of the number of turbines installed, the energy generated and price received for each MWh of electricity exported to the grid;
- debt financing is projected based on funding a proportion of the capital requirements of the project with an interest expense of LIBOR forward rates plus a margin;
- capital expenditure relates to the purchase of the turbines, grid connection, seabed lease, construction, cabling power conditioning, installation and onshore works;
- discount rate of 25%;
- probability factors of 20% to 33% are applied to reflect the probability of the project reaching commercialisation phase;
- the fair value of the seabed option is estimated based on the discounted cash flows of a notional start-up (greenfield) business with no assets but the seabed option.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

13. INVESTMENTS IN SUBSIDIARIES continued

Deferred tax assets and deferred tax liability

Tax losses amounting to £26,096,000 were available for utilisation against future taxable income at the acquisition date. Deferred tax assets recognised were capped at the amount of deferred tax liability recognised. Deferred tax liability is calculated based on the fair value adjustments to the seabed options and Marine Current Turbine technology at the local statutory tax rate.

As the deferred tax assets and deferred tax liability relate to the same jurisdiction, deferred tax assets can be offset against the deferred tax liability

Bargain purchase arising on business combination on 1 July 2015

The bargain purchase was recognised as a result of the business combination as follows:

	£'000
Total consideration transferred	4,212
Fair value of identifiable net assets	(13,386)
Bargain purchase	(9,174)

The bargain purchase arising from the acquisition of MCT was attributable mainly to Siemens plan to reduce its direct exposure to the tidal energy industry as a project developer. It has been assumed that none of the bargain purchase recognised will be assessable for tax purposes.

Net cashflow on acquisition of subsidiary

Net cashflow on acquisition of subsidiary is arrived at as follows:

	£'000
Cash and cash equivalents acquired	56
Total consideration transferred in cash	–
Net cash inflow	56

(d) *Divestment of interest in subsidiary and formation of joint venture in 2015*

In 2015, the Company sold a 50% stake in AOC to a subsidiary of DP Group Limited for £250,000, and AOC became a joint venture of the Group.

Divestment of interest in subsidiary

	£'000
Total consideration received in cash	250
50% interest in AOC's net liabilities	201
Gain on divestment of 50% interest in AOC	451

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

13. INVESTMENTS IN SUBSIDIARIES continued

Net cashflow on divestment of subsidiary

Net cashflow on divestment of subsidiary is arrived at as follows:

	£'000
Cash and cash equivalents disposed	–*
Total consideration received	250
	250

* denotes amount less than £1,000.

Formation of joint venture

	£'000
Group's 50% interest in AOC's net liabilities before re-measurement to fair value	(201)
Re-measurement gain on investment retained in AOC	451
Group's 50% interest in AOC on date of formation of joint venture, at fair value	250

The Group's 50% interest in AOC on date of formation of joint venture was based on the selling price of the 50% stake in AOC, which represents the fair value of AOC on that date.

14. LOANS TO SUBSIDIARIES

	Company	
	2016 £'000	2015 £'000
Loans to subsidiaries:		
– Interest-bearing ^(a)	970	919
– Non-interest bearing ^(b)	11,075	11,075
	12,045	11,994

(a) The Company has provided a loan to MeyGen Limited which is interest-bearing with an interest rate of 12-month LIBOR plus 5% per annum, unsecured and repayable in February 2030.

(b) In 2014, the Company extended a loan to Atlantis Projects Pte. Ltd, which is interest-free, unsecured and with no fixed terms of repayment.

As these balances are, in substance, part of the Company's net investments in the subsidiaries, they are stated at cost less impairment losses if any.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

15. LOAN TO JOINT VENTURE

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Loan to joint venture	1,236	910	1,236	910

The loan to joint venture bears interest at a rate of 12% per annum, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. This loan is, in substance, part of the Group's and the Company's net investment in the joint venture, and is stated at cost less impairment loss, if any.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade receivables	201	13	–	–
Deposits	1,503	1,580	7	7
Grant receivable	–	2,416	–	–
Value added tax recoverable	1,358	1,200	15	5
Other receivables	1,512	294	–	–
Non-trade receivables due from subsidiaries	–	–	17,538	11,507
Less:				
Allowance for impairment	–	–	(496)	(424)
Loans and receivables	4,574	5,503	17,064	11,095
Prepayments	294	704	46	66
	4,868	6,207	17,110	11,161
Non-current	–	–	17,042	11,083
Current	4,868	6,207	68	78
	4,868	6,207	17,110	11,161

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

16. TRADE AND OTHER RECEIVABLES continued

The non-current receivables due from subsidiaries are unsecured, interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As these balances are, in substance, part of the Company's net investments in the subsidiaries, they are stated at cost less impairment losses, if any.

At the end of the reporting period, the Company had a provision for impairment of £496,000 (2015: £424,000) in relation to balances receivable from inactive subsidiaries as recovery of the amounts due is not considered probable. No provision for impairment has been made for the remaining receivable balance as the directors are of the view that these receivables are recoverable.

The movements in the allowance for impairment in respect of trade and other receivables during the year were as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
At the beginning of the year	–	–	424	1,671
Impairment loss recognised	–	–	–	421
Amounts written off	–	–	–	(1,642)
Exchange difference	–	–	72	(26)
At the end of the year	–	–	496	424

The Group's and the Company's exposure to credit and currency risks are as set out in Note 27.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash at bank	8,546	10,122	10	154
Fixed deposits	1,646	2,086	–	–
Cash on hand	40	60	–	–
Cash and cash equivalents in the statements of financial position	10,232	12,268	10	154
Less: Encumbered deposits	(1,646)	(2,086)	–	–
Cash and cash equivalents in the statement of cash flows	8,586	10,182	10	154

The encumbered deposits served as collateral on behalf of MeyGen Limited, in support of the provision of bank guarantees and standby letters of credit as required under the terms of MeyGen's seabed lease and to secure the MeyGen project's electricity transmission capacity (Note 31). The Group's exposure to interest rate risks is described in Note 27.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	7,353	3,789	130	180
Other payables	63	263	3	27
Accruals	2,549	4,074	767	371
Non-trade payables due to subsidiaries	–	–	1,332	1,112
Other financial liabilities	9,965	8,126	2,232	1,690
Advanced receipts	207	351	–	–
	10,172	8,477	2,232	1,690

The non-trade balances due to subsidiaries are unsecured, interest-free and repayable on demand.

A wholly owned subsidiary of the Company (Atlantis Operations (UK) Limited (“AOU”)) entered into a grant agreement with the European Commission for the award of up to £7,108,000 (€7,294,905) in grant funding towards the design, build, installation and operation of three AR1500 turbines at the MeyGen site. Advanced receipts include drawdowns of £207,000 (2015: £351,000 (€347,586)) of this grant.

The Group’s and the Company’s exposure to currency and liquidity risks related to trade and other payables are described in Note 27.

19. PROVISIONS

Group	Warranty provision £'000	Provision for decommissioning costs £'000	Other provision £'000	Total £'000
At 1 January 2015	35	350	–	385
Assumed in business combination	–	1,513	–	1,513
Provision made during the year	–	144	6	150
Exchange difference	–	(12)	–	(12)
At 31 December 2015	35	1,995	6	2,036
Provision made during the year	–	448	19	467
Provision written back	(35)	–	–	(35)
Provision utilised during the year	–	(129)	–	(129)
At 31 December 2016	–	2,314	25	2,339

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

19. PROVISIONS continued

Provision for decommissioning costs

The provision for decommissioning costs represents the present value of the best estimate of direct costs that may be incurred to remove the turbine foundations from the seabeds including the Group's testing berth at the European Marine Energy Centre in Scotland and making good the site. In 2015, provision arising from acquisition of subsidiaries relates to the removal of the turbine for Sea Generation Limited's project at Strangford Lough, Northern Ireland and associated site rectification costs. An amount of £129,000 was utilised in current year. An additional provision of £448,000 was made during the year primarily for the removal of the turbines at the MeyGen Project located in the Inner Sound of the Pentland Firth.

20. LOANS AND BORROWINGS

The Group's and the Company's total loans and borrowings are as follows:

	Notes	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current loans and borrowings					
Secured bridging loan from non-controlling interest	(a)	2,790	2,128	–	–
Financial guarantees		–	–	198	209
		2,790	2,128	198	209
Non-current loans and borrowings					
Loan from a subsidiary	(b)	–	–	314	330
Loans from a related party	(c)	4,056	3,805	–	–
Long term loan	(d)	3,984	3,763	–	–
Secured long term loans	(e)	21,552	9,883	–	–
		29,952	17,451	314	330
Total loans and borrowings		32,382	19,579	512	539

(a) *Secured bridging loan from non-controlling interests*

Scottish Enterprise, as the administrator of the Renewable Energy Investment Fund, extended a £2 million bridging loan to one of the Company's wholly owned subsidiaries which was drawn upon the completion of the acquisition of MCT, with the Company as a guarantor.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

20. LOANS AND BORROWINGS continued

The loan is denominated in British pounds, with a fixed interest rate of 15% per annum, is secured on the assets of MCT, AOU and ARSL and is repayable in 2017, together with a repayment premium computed at the rate of 15% per annum on the principal amount of the outstanding loan. At the end of the reporting period, the carrying value of the loan approximates its fair value.

(b) *Loan from a subsidiary*

The loan from a subsidiary was denominated in British pounds, was interest-bearing with an interest rate of 5.0% per annum, unsecured and is repayable in February 2021. The fair value of the loan at the end of the reporting period was approximately £361,000 (2015: £335,000).

(c) *Loans from a related party*

Loans from Morgan Stanley Capital Group Inc. ("MSCGI") are treated as a related party loan given MSCGI is a related party of Morgan Stanley Renewables, a Shareholder of the Company.

The loans from MSCGI are denominated in British pounds, with floating interest rates in the range 5.0% to 6.06% per annum, are unsecured and are repayable in February 2021. At the end of the reporting period, the carrying value of the loan approximates its fair value.

(d) *Long term loan*

The loan is denominated in British pounds, with a floating rate of interest in the range 5.90% to 5.92% per annum, is unsecured and is repayable in February 2021. At the end of the reporting period, the carrying value of the loan approximates its fair value.

(e) *Secured long term loans*

Atlantis Resources (Scotland) Limited

In February 2014, ARSL, a wholly owned subsidiary of the Company, entered into a loan agreement of £2 million with Scottish Enterprise (as administrator of the Renewable Energy Investment Fund) as the lender and the Company as a guarantor. The loan of £2 million is being used to support the development of ARSL's engineering hub in Scotland and was used to support the development of the initial phase of the MeyGen project. The loan is due for repayment in 2019, five years from drawdown, in a single bullet repayment. The interest rate for the loan is 12.0% per annum, with interest capitalising on 30 June and 31 December of each year and repayable upon maturity of the loan.

Subsequently, on 28 April 2015, ARSL, with the Company as guarantor, entered into a loan agreement with GEG (Holdings) Ltd to borrow a £0.5 million loan. The loan has a three-year term and is repayable as a single bullet repayment at the end of the term, with interest rate of 4.5% per annum capitalising and not payable until maturity of the loan. These loans are secured on the assets of MCT, AOU and ARSL.

MeyGen Limited

In August 2014, as part of the Phase 1A MeyGen project financing, Scottish Enterprise (as administrator of the Renewable Energy Investment Fund) extended a loan of £7.5 million to MeyGen to finance the construction of the project. The Crown Estate Commissioners committed an investment of £9.8 million to MeyGen, also to finance the construction of the Phase 1A project, and which will be serviced through the payment of "enhanced rent", with an exit payment at or before the date 10 years from commissioning of Phase 1A of the project.

The Scottish Enterprise loan and the Crown Estate investment to MeyGen are denominated in British pounds, and are repayable in the period from 2017 to 2027. The effective interest rates on these loans are in the range of 7% to 7.8% per annum. As at 31 December 2016, the total loans drawn down were £17,300,000 (2015: £6,971,000).

The Group's secured long term loans are secured by way of fixed and floating charges over the assets of subsidiaries as well as MeyGen Limited's shares. There was no breach of any loan covenants during the year.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees as described above.

The Group's and the Company's exposures to interest rate, foreign currency and liquidity risks are described in Note 27.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

21. DEFERRED TAX LIABILITIES

Movements in deferred tax liabilities of the Group are as follows:

	Group	
	2016 £'000	2015 £'000
At 31 December 2015 and 2016	3,830	3,830

The deferred tax liability was recognised due to the fair valuation of the seabed option and tidal data upon acquisition of MeyGen in 2013.

Tax losses arising from the MCT acquisition in 2015 which are available for utilisation against future taxable income amounted to £26,096,000 at the acquisition date. As the deferred tax assets and deferred tax liability relate to the same jurisdiction, deferred tax assets can be offset against the deferred tax liability. Deferred tax assets recognised were capped at the amount of deferred tax liability recognised. Deferred tax liability is calculated based on the fair value adjustments to the seabed options and Marine Current Turbine technology at the local statutory tax rate.

22. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares with no par value '000	£'000
Issued and paid up during the year:		
At 1 January 2015	89,204	78,483
Issued in business combination	9,912	4,212
Public offerings issued for cash	5,952	2,500
Transaction costs incurred in relation to share issuance	–	(277)
At 31 December 2015	105,068	84,918
Public offerings issued for cash	11,888	6,539
Transaction costs incurred in relation to share issuance	–	(237)
At 31 December 2016	116,956	91,220

On 1 July 2015, the Company successfully completed the acquisition of MCT from Siemens. Consideration transferred for the acquisition was the issuance of 9,911,577 shares to Siemens. Based on the Company's share price at the market close on the date of completion of the acquisition, fair value of the shares issued was £4,212,420.

On 25 August 2015, the Company completed the placing of 5,952,380 ordinary shares at 42 pence per share, raising a gross amount of £2.5 million, such that following this placement, the Company had a total of 105,068,157 issued shares.

On 25 and 26 April 2016, the Company raised approximately £6.5 million before expenses through the conditional placing of 11,888,460 new ordinary shares at a placing price of 55 pence per share.

During the year, £237,000 (2015: £277,000) of expenses were incurred incidental to the issuance of shares.

23. CAPITAL RESERVE

The capital reserve consists of the difference between the carrying value of net assets transferred to and the consideration received from the non-controlling interest.

Increase in Capital reserve during the year relates to an additional injection from an existing and a new non-controlling interest (note 13(b)).

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

24. TRANSLATION RESERVE

Translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

25. SHARE OPTIONS

Option fees represent call option fees paid up-front by the call option holders.

The share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant date. The expense for services received will be recognised over the vesting period.

Long Term Incentive Plan ("LTIP")

In 2013, the Company approved a Long Term Incentive Plan ("LTIP") and options were granted to its directors and other members of the Group's senior management team during 2014. During the year, 1,063,830 share options with an exercise price of £0.94 were modified and replaced with 1,000,000 share options at an exercise price of £0.50 and vested for three years from 11 December 2015. An additional 1,845,000 share options were granted during the year.

The options outstanding at 31 December 2016 have a weighted average contractual life of 2.49 years (2015: 3.14 years).

No options were exercised in 2015 and 2016.

Details of the share options outstanding during the year are as follows:

	Group and Company	
	Number of share options '000	Weighted average exercise price £
2016		
Outstanding at the beginning of the year	4,149	0.940
Cancelled and modified	(1,064)	0.940
Lapsed	(53)	0.940
Issued during the year	2,845	0.500
Outstanding at the end of the year	5,877	0.740
Exercisable at the end of the year	1,517	0.740

As at 31 December 2016, the number of share options and their expiration date are as follows:

Number of options	Expiry on
3,031,916	20 February 2019
650,000	1 January 2026
1,000,000	30 September 2026
1,195,000	5 December 2026

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

25. SHARE OPTIONS continued

	Group and Company	
	Number of share options '000	Weighted average exercise price £
2015		
Outstanding at the beginning of the year	4,355	0.940
Lapsed during the year	(206)	0.940
Outstanding at the end of the year	4,149	0.940
Exercisable at the end of the year	1,383	0.940

As at 31 December 2015, the number of share options and their expiration dates are as follows:

Number of options	Expiry on
4,149,000	20 February 2019

Company Share Option Plan ("CSOP")

On 10 November 2016, the company established a Company Share Option Plan ("CSOP") to offer share options to employees. A total of 485,690 options were granted during the year.

The options outstanding at 31 December 2016 have a weighted average contractual life of 4.86 years.

No options were exercised in 2016.

Details of the share options outstanding during the year are as follows:

	Group and Company	
	Number of share options '000	Weighted average exercise price £
2016		
Issued during the year	486	0.700
Outstanding at the end of the year	486	0.700
Exercisable at the end of the year	–	0.700

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

25. SHARE OPTIONS continued

The fair value for the above share options were calculated using the Black-Scholes pricing model. The inputs into the model for share options granted during the period are as follows:

	Share options granted in 2016	Share options granted in 2014
Fair value of options on date of grant	£0.07 ~ £0.34	£0.12
Date of grant	2016	2014
Share price	£0.35 ~ £0.74	£0.94
Exercise price	£0.50 ~ £0.70	£0.94
Expected volatility	42.64% ~ 56.94%	56.94%
Expected life	3 years	3 years
Risk free rate	0.75% ~ 1.56%	2.75%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of comparable companies in the same industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group and the Company recognised total expenses of £113,000 (2015: £872,000), related to equity-settled share-based payment transactions during the year and this is included as part of employee benefits expense.

26. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit/(loss) after tax and on the weighted average number of ordinary shares in issue during each year.

	(Loss)/ Profit after tax		Weighted average number of shares		(Loss)/Earnings per share	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Basic and diluted	(7,264)	2,028	112,994	95,827	(0.06)	0.02

	Group	
	2016 '000	2015 '000
Issued ordinary shares at 1 January	105,068	89,204
Effect of shares issued related to business combination	–	4,454
Public offerings and issued for cash	7,926	2,169
Weighted average number of shares at end of the year	112,994	95,827

Share options were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

The Group is exposed to various financial risks arising in the normal course of business. It has adopted financial risk management policies and utilised a variety of techniques to manage its exposure to these risks.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

There are no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as at the end of the reporting period.

Trade and other receivables

	Note	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade receivables	16	201	13	–	–
Other receivables due from subsidiaries	16	–	–	17,042	11,083
Deposits	16	1,503	1,580	7	7
Grant receivable	16	–	2,416	–	–
Value added tax recoverable	16	1,358	1,200	15	5
Other receivable	16	1,512	294	–	–
		4,574	5,503	17,064	11,095

All the balances are not past due.

Cash and cash equivalents

Cash at bank is held with creditworthy financial institutions which are licensed banks in the countries in which the Group operates.

Guarantees

At 31 December 2016 and 2015, the Company issued guarantees to a lender in respect of credit facilities granted to two subsidiaries (See Note 31).

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT continued

(b) Liquidity risk

The Group actively manages its operating cash flows and the availability of funding through maintaining sufficient cash and cash equivalents to finance its activities.

Current financial liabilities in 2015 and 2016 are repayable on demand or due within one year from the end of the reporting period. Other than certain loans, the remaining financial liabilities are non-interest bearing.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations.

Group	Note	Carrying amount £'000	Contractual cash flows			
			Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2016						
Financial liabilities						
Trade and other payables	18	9,965	9,965	9,965	–	–
Secured bridging loan from non-controlling interests	20	2,790	3,171	3,171	–	–
Loans from a related party	20	4,056	5,626	–	5,626	–
Long term loan	20	3,984	5,571	–	5,571	–
Secured long term loans	20	21,552	38,794	528	10,094	28,172
		42,347	63,127	13,664	21,291	28,172
2015						
Financial liabilities						
Trade and other payables	18	8,126	8,126	8,126	–	–
Secured bridging loan from non-controlling interests	20	2,128	2,506	2,506	–	–
Loans from a related party	20	3,805	5,622	–	–	5,622
Long term loan	20	3,763	5,567	–	5,567	–
Secured long term loans	20	9,883	18,595	–	4,158	14,437
		27,705	40,416	10,632	9,725	20,059

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT continued

Company	Note	Carrying amount £'000	Contractual cash flows			
			Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2016						
Financial liabilities						
Trade and other payables	18	2,232	2,232	2,232	–	–
Financial guarantees	20	198	6,500	6,500	–	–
Loan from a subsidiary	20	314	441	–	441	–
		2,744	9,173	8,732	441	–
2015						
Financial liabilities						
Trade and other payables	18	1,690	1,690	1,690	–	–
Financial guarantees	20	209	6,500	6,500	–	–
Loan from a subsidiary	20	330	441	–	–	441
		2,229	8,631	8,190	–	441

(c) Market risk

Currency risk

The Group transacts business in various foreign currencies, including the Australian dollar, Euros, United States dollar, Canadian dollars and Singapore dollars, and is hence exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Australian dollars	–	13	–	34	–	14	–	9
British pounds	–	532	–	94	–	254	–	12,018
Euros	19	–	39	59	–	–	–	1
United States dollars	4	530	1	2	4	2	–	3
Canadian dollars	–	–	1,236	910	–	–	1,236	910
Singapore dollars	24	–	8	–	24	–	8	–

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT continued

Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk is 10%, which is the sensitivity rate which represents management's assessment of the likely potential change in foreign exchange rates.

If the relevant foreign currencies were to strengthen by 10% against the functional currency of each Group entity, profit and loss (before tax) and equity will increase (decrease) by:

	Group				Company			
	Equity		Profit and loss (before tax)		Equity		Profit and loss (before tax)	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Australian dollars	-	-	-	2	-	-	-	(1)
British pounds	-	-	-	(44)	-	-	-	1,176
Euros	-	-	2	6	-	-	-	_*
United States dollars	-	-	_*	(53)	-	-	_*	_*
Canadian dollars	124	91	-	-	-	-	124	91
Singapore dollars	-	-	(2)	-	-	-	(2)	-

* denotes amount less than £1,000

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, the effects on profit and loss and equity will be vice versa.

Interest rate risk

Interest rate risk arises from the potential change in interest rates that may have an adverse effect on the Group in the current reporting year or in future years.

The Group's exposure to interest rate risk is limited to the effects of fluctuation in bank interest rate on cash and cash equivalents as well as LIBOR rates on certain loans and borrowings.

For variable rate financial instruments, a change of 100 basis points (bps) in interest rate with all other variables held constant would increase/decrease profit/loss before tax by £22,000 (2015: £3,000).

Equity price risk

The Group is not exposed to equity price risks as it does not hold any quoted equity investments.

Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group and the Company consists of equity attributable to owners of the parent and loans and borrowings amounting to £90,879,000 (2015: £72,655,000) and £43,750,000 (2015: £38,436,000), respectively.

There are no changes in the Group's approach to capital management during the financial year. The Company is not subject to externally imposed capital requirements. Except for one subsidiary which is subject to loan restrictions and dividend distributions, none of the other subsidiaries are subject to externally imposed capital requirements.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT continued

(d) Accounting classifications and fair values

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Note	2016		2015	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Group					
Financial liabilities					
Secured long term loans	20	21,552	22,831	9,883	12,976
Company					
Financial liabilities					
Loan from a subsidiary	20	314	361	330	335

Fair value hierarchy

The table below analyses financial instruments not carried at fair value but for which fair values are disclosed, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2016				
Financial liabilities				
Secured bridging loan from non-controlling interests	–	–	2,790	2,790
Loans from a related party	–	–	4,056	4,056
Long term loan	–	–	3,984	3,984
Secured long term loans	–	–	22,831	22,831
	–	–	33,661	33,661
2015				
Financial liabilities				
Secured bridging loan from non-controlling interests	–	–	2,128	2,128
Loans from a related party	–	–	3,805	3,805
Long term loan	–	–	3,763	3,763
Secured long term loans	–	–	12,976	12,976
	–	–	22,672	22,672

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT continued

Company	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2016				
Financial liabilities				
Financial guarantees	–	–	198	198
Loan from a subsidiary	–	–	361	361
	–	–	559	559
2015				
Financial liabilities				
Financial guarantees	–	–	209	209
Loan from a subsidiary	–	–	335	335
	–	–	544	544

There were no transfers between levels in 2015 and 2016.

Estimating the fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company.

Financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, bridging loan from non-controlling interests and trade and other payables) are assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values.

Valuation technique for financial instruments not carried at fair value but for which fair values are disclosed:

Type	Valuation technique
Group	
Secured bridging loan from non-controlling interest	Discounted cash flow method
Loans from a related party	Discounted cash flow method
Long term loan	Discounted cash flow method
Secured long term loans	Discounted cash flow method
Company	
Loans to/from subsidiaries	Discounted cash flow method
Financial guarantees	Discounted cash flow method

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

28. RELATED COMPANY AND RELATED PARTY TRANSACTIONS

During the year, Group entities were engaged into the following significant transactions with related parties/companies:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Interest income from a joint venture				
– Atlantis Operations (Canada) Limited	127	26	127	26
Interest income from a subsidiary				
– MeyGen Limited	–	–	55	52
Service fee income from a joint venture				
– Atlantis Operations (Canada) Limited	–	18	–	–
Service fee income from a subsidiary				
– Atlantis Operations (UK) Limited	–	–	931	803
Service fee expense charged by a subsidiary				
– ARC Operations Pty Limited	–	–	9	6
Interest expense arising from related party				
– Morgan Stanley Capital Group Inc.	250	232	–	–
Interest expense arising from a subsidiary				
– Atlantis Resources (Scotland) Limited	–	–	14	15
Service fee expense charged by a related party				
– Geosea NV	745	–	745	–

Compensation of directors and key management personnel:

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2016 £'000	2015 £'000
Short-term benefits	509	601
Defined contribution benefits	69	89
Share-based payments	(74)	620

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

29. OPERATING LEASES

At the end of the reporting period, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year	364	381	33	22
Between two to five years	1,034	1,344	–	–
More than five years	6,024	4,654	–	–
	7,422	6,379	33	22

The Group has various lease agreements for rental of land, seabed, offices and office equipment. The seabed leases typically run for a period of 10 to 25 years and the land lease for 99 years. Office leases are negotiated for a term of between two to five years.

30. COMMITMENTS

At 31 December 2016, the Group had entered into contracts to construct a tidal power plant for £45.4 million (2015: £40.3 million) of which £41.2 million (2015: £23.7 million) had been incurred as at the reporting date. At 31 December 2016, the Group had outstanding commitments under contracts for design and subcontractors works for £1.5 million (2015: £2.3 million).

31. CONTINGENT LIABILITIES

The Company has guaranteed credit facilities of £6.5 million (2015: £6.5 million) granted to subsidiaries. At 31 December 2016 and 2015, the amount has been fully utilised.

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2016, the significant events of the Group are as follows:-

- In January, the European Commission awarded £17.3 million (€20.3 million) in Horizon 2020 grant funding for the DEMOTIDE project, which will design, build and operate a 6MW turbine array, MeyGen Phase 1B, in the Inner Sound of the Pentland Firth in northern Scotland. The DEMOTIDE project will demonstrate the technical and commercial viability of drilled foundation systems and larger rotor diameter turbines, further de-risking the industry and providing a robust path to significant cost reduction in the European tidal power sector.
- In March 2017, Atlantis signed a Preferred Supplier Agreement (“PSA”) with SBS INTL LTD (“SBS”), a privately-owned international marine, subsea and renewable energy project developer, for the supply of turbines, engineering services and equipment for a 150MW (megawatt) tidal-stream array located in Lombok, Indonesia. SBS is a UK project developer with a branch office and IPP (Independent Power Producer) in Jakarta. The project will be supported via a 25-year PPA with PT. Perusahaan Listrik Negara (“PLN”), the state-owned electrical utility company.
- On 12 May 2017, the Group signed a Strategic Partnership Agreement (“SPA”) with Hyundai Engineering and Construction Co. Ltd regarding the development of ocean power renewable projects globally. The initial objectives of the SPA are to progress the design, development and delivery of tidal stream projects in South East Asia.
- On 24 May 2017, the Company raised £4.05 million, before expenses, through the conditional placing of 9 million new ordinary shares at a placing price of 45 pence per share.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

33. SEGMENT INFORMATION

(a) Operating segments

The Group is principally engaged in generating energy from tidal current power generation projects, development of these projects, as well as turbine and engineering services. In addition to the development of power projects, the power generation division currently focuses on the development of the MeyGen tidal energy project, whereas the turbine and engineering services division focuses on the development and delivery of turbines and technology solutions for projects worldwide. The divisions are managed separately because they require different expertise and marketing strategies.

The Board of directors, who are chief operating decision makers, review internal management reports for each division regularly, in relation to the capital expenditure, resources allocation and funding availability of the three divisions.

Other operations include the provision of corporate services which does not meet any of the quantitative thresholds for determining reportable segments in 2016 and 2015.

There are varying levels of integration between the power generation and turbine and engineering services divisions, including the delivery of a turbine from the turbine and engineering services to the power generation division.

Information regarding the results of each reportable segment is included below.

	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Total £'000
2016				
External revenues	–	235	–	235
Inter-segment revenue	–	3,091	–	3,091
Interest revenue	–	15	–	15
Interest expense	–	(1,001)	–	(1,001)
Depreciation and amortisation	–	(732)	–	(732)
Reportable segment profit/(loss) before tax	2,182	(9,173)	(550)	(7,541)
Other material non-cash items:				
– Impairment losses on property, plant and equipment	–	–	–	–
Reportable segment assets	76,193	44,321	8,166	128,680
Capital expenditure	22,846	–	6,580	29,426
Reportable segment liabilities	(39,940)	(32,536)	(16,908)	(89,384)

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

33. SEGMENT INFORMATION continued

2015	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Total £'000
External revenues	–	1,375	–	1,375
Inter-segment revenue	–	2,156	–	2,156
Interest revenue	–	87	–	87
Interest expense	–	(611)	–	(611)
Depreciation and amortisation	–	(691)	–	(691)
Reportable segment profit/(loss) before tax	269	(3,810)	–	(3,541)
Other material non-cash items:				
– Impairment losses on property, plant and equipment	–	(1,881)	–	(1,881)
Reportable segment assets	53,312	18,781	–	72,093
Capital expenditure	19,854	1,194	–	21,048
Reportable segment liabilities	(25,041)	(22,556)	–	(47,597)

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

33. SEGMENT INFORMATION continued

	2016 £'000	2015 £'000
Revenue		
Revenue for reportable segments	3,326	3,531
Elimination of inter-segment revenue	(3,091)	(2,156)
Consolidated revenue	235	1,375
Profit or loss		
Total loss for reportable segments	(7,541)	(3,541)
Elimination of inter-segment profits	–	(13)
Unallocated amounts		
– newly acquired ⁽¹⁾	–	8,447
– others	488	(2,816)
Share of loss of equity-accounted investees	(211)	(49)
Consolidated (loss) profit before tax	(7,264)	2,028
Assets		
Total assets for reportable segments	128,680	72,093
Elimination of inter-segment assets	(16,235)	(124)
Investments in equity-accounted investees	1,236	1,121
Other unallocated amounts		
– newly acquired ⁽¹⁾	–	16,458
– others	1,673	2,122
Consolidated total assets	115,354	91,670
Liabilities		
Total liabilities for reportable segments	89,384	47,597
Elimination of inter-segment liabilities	(15,287)	(2,087)
Other unallocated amounts		
– newly acquired ⁽¹⁾	–	1,789
– others	(25,374)	(13,377)
Consolidated total liabilities	48,723	33,922

(1) Newly acquired denotes results, assets and liabilities of MCT.

NOTES TO FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

33. SEGMENT INFORMATION continued

Other material items

	Reportable segment £'000	Adjustments £'000	Consolidated totals £'000
2016			
Interest revenue	15	112	127
Interest expense	(1,001)	(3)	(1,004)
Capital expenditure	29,426	2	29,428
Other gains	2,441	383	2,824
Depreciation and amortisation	(732)	(879)	(1,611)
Impairment losses on intangible assets	–	–	–
2015			
Interest revenue	87	(61)	26
Interest expense	(611)	(3)	(614)
Capital expenditure	21,048	134	21,182
Other gains	2,903	10,385	13,288
Depreciation and amortisation	(691)	(881)	(1,572)
Impairment losses on intangible assets	(1,881)	–	(1,881)

(b) *Geographical segments*

Total segment revenue for the Group is £235,000 (2015: £1,375,000). The Group operations are mostly focused in the United Kingdom, where the activities are focused on development of tidal current power projects. Most of the Group's assets are located in the United Kingdom. The capital expenditure during the year is also primarily related to the development of the projects and the delivery of an Atlantis tidal turbine to one of the projects.

COMPANY INFORMATION

Non-Executive Directors

John Mitchell Neill
Michael Robert Lloyd
Ian Anthony Macdonald
Ian George Cobban
John Anthony Clifford Woodley
Duncan Stuart Black

Executive Director

Timothy James Cornelius

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Company Secretary

Gwendolin Lee Soo Fern/Cho Form Po
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Nominated Adviser and Joint Broker

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Joint Broker

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Company Number: 200517551R