



Atlantis Resources Limited
Annual Report 2015





ONSHORE CONTROL CENTRE BUILDING COMPLETED AT NESS OF QUOYS, CAITHNESS



ALL DIRECTIONAL DRILLING COMPLETED AT THE ONSHORE SITE



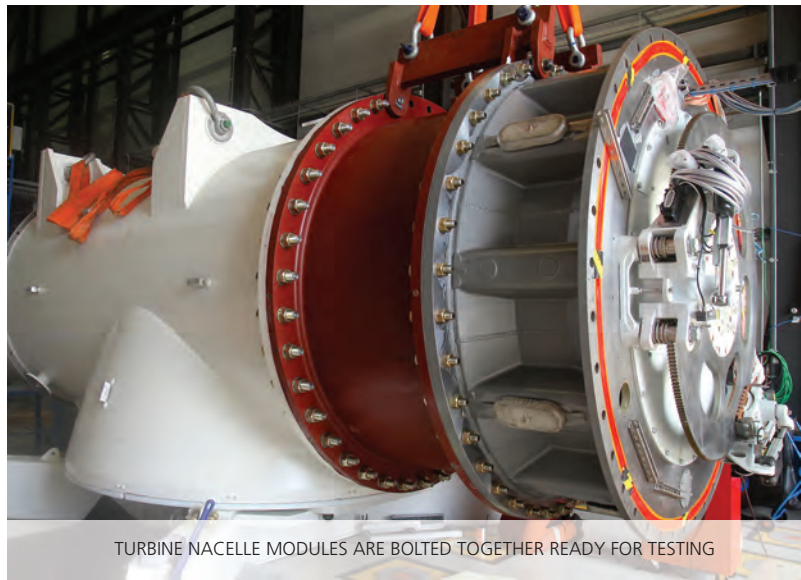
TURBINE HUB ASSEMBLED READY FOR FITTING OF BLADES



STEEL FOUNDATIONS UNDER CONSTRUCTION AT NIGG, SCOTLAND



TURBINE ASSEMBLY AND TESTING IS UNDERWAY AT THE OFFSHORE RENEWABLE ENERGY CENTRE IN NORTHUMBRLAND



TURBINE NACELLE MODULES ARE BOLTED TOGETHER READY FOR TESTING



ALL OFFSHORE CABLE LAYING COMPLETED READY FOR POWER EXPORT

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CHAIRMAN'S STATEMENT



UPDATE

2015 has been another year of firsts for the Atlantis Group and for the tidal industry as a whole and we have seen this continue during the first months of 2016.

January 2015 marked the commencement of construction on our flagship MeyGen project, for which we were successful in securing funding in 2014. This is the first 6MW phase in developing a site with the potential for almost 400MW of capacity – enough to power an estimated 175,000 homes with predictable and emissions free generation.

The initial construction works focused on MeyGen's onshore site, close to John o' Groats in north eastern Scotland. From this site our team of contractors drilled a set of four bores, each approximately half a kilometre in length, which pass under the rocky coastline and emerge on the seabed. This paved the way for the first part of the offshore construction works in September 2015, when four cables (with an aggregate length of some 11 kilometres) were laid through these bore holes and along the seabed to the turbine locations. Each of the four turbines will be connected to one of

the cables which will allow for the electricity generated to be exported to shore for connection into the distribution grid. This connection will happen in the onshore control centre, construction of which is also close to completion.

We are now working hard with our team of contractors to prepare for installation of the remaining offshore project infrastructure later this year. In northern Scotland fabrication continues apace on the huge steel foundation structures and the two hundred tonne ballast blocks which together will hold the turbines in position on the seabed. Just south of the border the Atlantis turbine is being readied for its onshore testing programme, whilst the first turbine from Andritz Hydro Hammerfest nears completion at the Andritz factory in Germany.

We are always looking ahead to our next challenge, and it was with future project development in mind that we announced in December 2015 our agreement with ScottishPower Renewables (UK) Limited ("SPR") to bring the Sound of Islay and Ness of Duncansby projects into our portfolio and to welcome SPR as our fellow shareholder in our Scottish project vehicle, Tidal Power Scotland Limited ("TPSL"), which also owns the majority of MeyGen. Earlier this year we announced that we had reached agreement with DEME Concessions NV, part of the giant DEME offshore construction group, to sell a further minority stake in TPSL, thus gaining an important strategic shareholder, subject to achieving various conditions and securing the necessary consents. As I write we are continuing to work hard in order to achieve those conditions. We've also entered into an exciting partnership agreement with Equitix Limited in respect of future financing of our Scottish project pipeline.

Due to its strong governance framework that aims to follow the principles embedded in the QCA Guidelines, Atlantis is able to run its operations in a fair, transparent and sustainable way for the benefit of its shareholders, employees and the general community as a whole. We are now on the cusp of realising our ambition of providing sustainable and predictable green energy on a commercial scale, and when I write my statement this time next year I expect MeyGen Phase 1A to be generating electricity for distribution to the Scottish grid.

Finally I would like to take this opportunity to thank the Atlantis staff and my fellow directors for all of their hard work in delivering on our objectives, and to thank our shareholders and other key stakeholders whose continuing support we very much appreciate.

ANNUAL GENERAL MEETING

Our Annual General Meeting will be held on 30 June 2016 and the notice of meeting accompanies this annual report. I look forward to this opportunity to meet our shareholders and to discuss our performance and the opportunities which lie ahead.

A handwritten signature in black ink, which appears to read 'John Mitchell Neill'. The signature is fluid and cursive, written on a light-colored background.

John Mitchell Neill
Chairman

26 May 2016

CHIEF EXECUTIVE OFFICER'S STATEMENT



PROFILE

Atlantis Resources Limited, a global leader in the tidal power sector, is focused on two core business areas – the development of projects and the supply of turbines and associated equipment, both to third parties and to our own projects. Following the acquisition of the Marine Current Turbines (“MCT”) group in July 2015 we now have the biggest portfolio of agreements for lease for UK project sites, and we’re actively looking to build our pipeline in Asia, North America and Australasia. We’re working hard to ensure we build relationships with the right project partners to help us deliver these opportunities and replicate our success in bringing Phase 1A of the MeyGen project to financial close and into construction.

During the first half of 2015, we reached agreement with Siemens AG for the acquisition of the MCT group, which has long been at the forefront of the tidal sector. We completed the acquisition in July, gaining a first class team of engineers and project developers with the knowledge and experience derived from the long term operations of the 1.2MW SeaGen system in Strangford Lough in Northern Ireland, and boosting our portfolio of UK development sites by some 50%. In September we announced that

we had teamed up with DP Energy in a joint venture for development of our berth at the Fundy Ocean Research Centre for Energy (“FORCE”) in Canada, whilst in the UK we completed the first major offshore works at the MeyGen project with the successful installation of the power export cables.

In October we received confirmation from the European Commission that €17 million of grant funding from the NER300 clean energy scheme could be transferred to the next phase of the MeyGen project, and in December we reached agreement with SPR for the acquisition of the Sound of Islay project, which has also been awarded €21 million of funding through the same programme. We’re now working hard to achieve financial close on these two projects, which have grid connection agreements and consents in place.

The turbine delivery team is preparing for the onshore testing programme for the 1.5MW AR1500 turbine, which will be one of the four turbines installed at the MeyGen site in the first phase of project roll-out. In parallel, we continue to finalise the design of the StreamTec foundation system for MeyGen Phase 1B, which we have been developing through our contract with the Energy Technologies Institute (“ETI”) in pursuit of a shared goal to reduce the cost of energy for the future.

SUMMARY OF RESULTS

Atlantis recorded a profit for the year ended 31 December 2015 of S\$4.3 million, an increase of S\$20.5 million on the prior year’s loss. The primary reasons for the increase are the gain resulting from the MCT acquisition and the gain on disposal of the 50% stake in Atlantis Operations Canada Limited (“AOC”).

Revenue for the year ended 31 December 2015 was approximately S\$2.9 million, lower than S\$5.3 million last year. Both were derived predominantly from the provision of consulting services in relation to the contract with ETI, which has the objective of reducing capital cost for tidal energy projects.

The MCT acquisition resulted in a bargain purchase gain of S\$19.3 million reflected in “Other gains”. The bargain purchase gain arises mainly from the fair valuation of the MCT turbine technology and seabed options, details of which can be found in Note 13 to the financial statements. The gain arising from the disposal of a 50% stake in AOC to DP Energy Group and a re-measurement gain on the remaining 50% stake upon the formation of the joint venture partnership is also included in “Other gains”.

Total expenses for the year were S\$25.2 million, an increase from S\$19.8 million in the prior year. The higher expense is mainly due to the impairment of the AR1000 turbine, which is considered obsolete. Higher employee expenses as a result of the acquisition of MCT and its group of subsidiaries from Siemens AG also contributed to the increase in expenses.

The Group’s assets stand at S\$191.6 million, an increase of S\$45.0 million from the previous year. This primarily results from the fair valuation of MCT’s assets upon acquisition and the capitalised development costs of Phase 1A of the MeyGen project. Total liabilities also increased by S\$22.3 million from 2014, mainly because of drawdowns of the MeyGen financing, increased borrowings and provision for decommissioning costs acquired as a result of the MCT acquisition. Total equity attributable to owners of the Company rose to S\$120.7 million as at 31 December 2015 from S\$98.0 million as at 31 December 2014.

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

Net cash used in operating and investing activities was S\$55.3 million, an increase of S\$19.5 million on the previous year, again largely driven by the investment in capital items for the MeyGen project. Net cash from financing activities was S\$53.2 million of which S\$27.9 million was proceeds from grants, S\$16.3 was from borrowings and S\$5.5 million was from issuance of shares. Total cash and cash equivalents as at 31 December 2015 stood at S\$25.6 million, compared with S\$29.2 million as at 31 December 2014.



Timothy James Cornelius
Chief Executive Officer

26 May 2016

CORPORATE GOVERNANCE REPORT

The Company is listed on the Alternative Investment Market of the London Stock Exchange (“AIM”). The Board is committed to 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. This section explains in more detail how we have applied these guidelines.

THE BOARD OF DIRECTORS

Good governance is taken seriously throughout the Company and the Board sets the tone and takes the lead to ensure that good practice flows throughout. 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.

The Board held seven scheduled meetings during the year and met on other occasions as the need arose. The Board considers strategy in depth as well as reviewing the strategic objectives of the Company at each of its Board meetings. All directors receive appropriate and timely information prior to each meeting on the matters to be discussed. A formal agenda is produced for each meeting, and directors are given a sufficient period of time to review all papers prior to the meetings taking place.

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 7 and 8.

The roles of the Chairman and the Chief Executive Officer (“CEO”) are separate with a distinct division of responsibilities. The Chairman is responsible for maintaining an effective and efficient Board which appropriately focuses on strategy and governance. The CEO is responsible for proposing strategic focus for Board review and its subsequent implementation. The Board’s independent oversight is enhanced by the separation of authority which ensures that no one individual on the Board has unfettered authority. The Board delegates authority to the CEO to manage the day-to-day operations and implementation of the strategy of the Company. In turn, the CEO delegates a number of his duties to the Company’s management team.

During 2015, Ian Cobban joined the Board as an independent non-executive director and Rune Nilsen resigned as a director. In addition, Duncan Black stepped down as the Company’s Chief Financial Officer (“CFO”) but remained on the Board as a non-executive director.

Following the recent changes, the Board now comprises an independent non-executive Chairman, three independent non-executive directors, two non-executive directors and the CEO.

The Company’s largest shareholder is a subsidiary of Morgan Stanley and consequently John Woodley, a non-executive director, of the Company is not considered independent because of his role as a senior adviser to Morgan Stanley. In addition, Duncan Black, who stood down as the Company’s CFO in September 2015, has remained on the Board as a non-executive director. As a result of his previous role with the Company, he is deemed to be non-independent. The Board however, values Duncan’s knowledge and experience and is delighted that he continues to serve as a director. The profiles of all the directors can be found on pages 9 and 10.

The non-executive directors, both independent and non-independent, contribute a wide range of skills and experience, forming a strong element within the Board, and they have a key role in constructively challenging strategy and performance in all areas. Each of the non-executive directors brings individual character and judgement to bear on strategic matters and the performance of the Company.

The Board may appoint a director as it thinks fit. However, any director appointed by the Board must, in accordance with the Company’s Constitution, offer themselves for re-election at the first Annual General Meeting (“AGM”) following their appointment. Accordingly, Ian Cobban, having been appointed by the Board on 3 August 2015, will stand for re-election at the forthcoming AGM.

In addition, the Company’s Constitution provides that all directors shall be subject to retirement by rotation at each AGM. Michael Lloyd and Tim Cornelius will therefore be retiring by rotation and offering themselves for re-election at the 2016 AGM.

CORPORATE GOVERNANCE REPORT continued

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 standing 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.

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 setting the Board's agenda and ensuring that adequate time is available to discuss all items on the agenda with 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.

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.

Directors' attendance at Board and committee meetings held during 2015 is provided in the table below:

Board/Committee:	Board	Audit Committee	Remuneration Committee	Nomination Committee	Technology Committee
	Attended	Attended	Attended	Attended	Attended
John Mitchell Neill	7/7	–	2/2	2/2	–
Timothy James Cornelius	7/7	–	–	–	–
Duncan Stuart Black ⁽¹⁾	7/7	–	–	–	–
Michael Robert Lloyd	7/7	–	2/2	2/2	2/2
John Anthony Clifford Woodley	7/7	3/3	2/2	2/2	2/2
Ian Anthony Macdonald	7/7	3/3	–	–	–
Rune Nilsen ⁽²⁾	4/4	2/2	–	–	0/1
Ian George Cobban ⁽³⁾	1/2	–	–	–	1/1

(1) Duncan Stuart Black stepped down as CFO on 7 September 2015 and became a non-executive director on 8 September 2015.

(2) Rune Nilsen resigned as director on 3 August 2015.

(3) Ian Cobban appointed as a director on 3 August 2015.

BOARD COMMITTEES

During 2015, the Board maintained the following four committees to assist the Board by focusing on specialist areas, which were ultimately accountable to it. These comprised:

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

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. Each committee is responsible for reviewing the effectiveness of its own terms of reference and for making recommendations to the Board for changes when necessary. The CEO is not a member of the Board committees, although he may be invited to attend meetings and other senior members of management may also be invited to attend. Boardroom Corporate & Advisory Service Pte Limited is Secretary to the Board and all of the committees.

CORPORATE GOVERNANCE REPORT continued

AUDIT COMMITTEE

Chairman: Ian Anthony Macdonald
Member: John Anthony Clifford Woodley

The chairman of the committee holds a senior management position in a listed financial institution, and the Board is therefore satisfied that he has recent and relevant financial experience. Following the resignation of Mr Rune Nilsen as a non-executive Director and a member of the Audit Committee with effect from 3 August 2015, the composition of the Audit Committee has reduced to two members. The Audit Committee is looking to revert to three members during 2016. 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 at other times as necessary to fulfil its responsibilities. The Audit Committee's role includes assisting 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 the Company's key risks, agreeing the actions to mitigate these risks and for reviewing and approving the audited financial statements and the half-yearly reports remains with the Board.

The Audit Committee met three times during the course of 2015 and has subsequently advised the Board that the audited financial statements, taken as a whole, are fair, balanced and sufficiently comprehensive to enable shareholders to assess the Company's performance, strategy and business model.

The report from the Audit Committee is set out on pages 13 and 14.

REMUNERATION COMMITTEE

Chairman: John Mitchell Neill
Members: Michael Robert Lloyd, 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 2015.

The Directors' Remuneration Report is set out on pages 15 to 17.

NOMINATION COMMITTEE

Chairman: John Mitchell Neill
Members: Michael Robert Lloyd, John Anthony Clifford Woodley

The Nomination Committee is required to meet at least twice a year. The role of the Nomination Committee includes regularly reviewing the size, structure and composition of the Board and making recommendations to the Board with regard to any changes that it considers are necessary. The committee is also responsible for identifying potential candidates to be appointed as directors as the need arises and may engage executive search consultants for this purpose. 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 twice during the year and was involved in recommending Ian Cobban's appointment as a director. As part of this process, the Company entered into a recruitment agreement with First Flight Non-Executive Directors Limited, a specialist recruitment and head hunting agency, and also sourced potential candidate recommendations from across the Company's professional network.

CORPORATE GOVERNANCE REPORT continued

TECHNOLOGY COMMITTEE

Chairman: Michael Robert Lloyd

Members: John Anthony Clifford Woodley, 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 Group and for sanctioning the external reporting of key technology milestones. The committee also keeps under review the adequacy and effectiveness of the Group'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 committee is required to meet at least three times a year. Two committee meetings were held during the course of the year. A third meeting was not convened as the committee members had covered the technology topics adequately during the scheduled board meetings.

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 on-going 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 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 committees was not carried out during 2015. It is the Board's intention that this exercise be conducted during the current financial year following changes made to Board's composition in the second half of 2015.

During 2015, all directors attended a workshop on the AIM Rules for Companies and the responsibilities of directors under those Rules. The workshop also covered the QCA's Corporate Governance Guidelines.

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 that 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. 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.

As a part of a comprehensive investor relations programme, formal meetings with investors are scheduled to discuss the Company's interim and final results. In the periods between these reporting times, the Company continues its dialogue with investors by periodical public correspondence between the management and the shareholders.

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.

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 broadly 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 CEO and Chairman. 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 operational and development roles, and as a 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 Babcock & Brown's Asia Infrastructure Fund LP, CFO of TRUenergy (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, 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, President of Rolls Royce Gas Turbines Operations, Technical Director of GEC Large Machines and Managing Director of Alstom Transport. Mike is currently 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, Aerospace Tooling Ltd and RIMOR 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. He has been the President of Hong Leong Finance Ltd since February 2002. Hong Leong Finance Ltd is Singapore's largest finance company with a network of 28 branches island-wide. Ian has been in the financial industry for more than 30 years and brings with him a wealth of experience in all aspects of financial services, particularly in the areas of business and consumer equipment financing. Ian was formerly the National Manager of Business Finance at Australian Guarantee Corporation Limited, a subsidiary of Australian financial giant Westpac Banking Corporation.



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 the Asia Pacific and the Middle East; Vice President for Global Projects and Operations in Aberdeen; Vice President for the Gulf of Mexico, covering the USA, Mexico and Trinidad; and Vice President, Health, Safety, Security, Environment and Quality at Subsea 7. Ian is currently Executive Vice President of the Global Energy Group.

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 2015.

In our opinion:

- (a) the financial statements set out on pages 19 to 62 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 2015 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.

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 3 to 4.

A review of the business during the financial year is contained in the Chairman's Statement and Chief Executive Officer's Statement on pages 2 to 4.

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 (formerly Chief Financial Officer until 7 September 2015)*

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 (Appointed 3 August 2015)*

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 this Directors' Statement.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The interests of directors in shares in or debentures of the Company are disclosed in the Directors' Remuneration Report on pages 15 to 17.

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Details of directors' interests in shares and directors' contractual benefits are set out in the Directors' Remuneration Report on pages 15 to 17.

SHARE OPTIONS

(a) Company Share Option Plan ("CSOP")

On admission of the Company's shares to trading on AIM, the options outstanding over "B" shares issued under the Company's CSOP, exercisable at prices between S\$0.155, and S\$0.20 per share, became options over ordinary shares, at exercise prices between S\$4.659 and S\$6.000 per share. The CSOP was terminated on Admission, without prejudice to the rights conferred by the outstanding options. The outstanding options are fully vested and may be exercised at any time within the exercisable period but no later than the expiry date. Ordinary shares resulting from the exercise of the outstanding options will rank *pari passu* in all respects with the ordinary shares in issue. Options are not pensionable, assignable or transferable.

DIRECTORS' STATEMENT continued

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 2015	Exercise price per share	Cancelled/ lapsed	Balance at 31 Dec 2015	Exercise period
5 Jun 2010	66,667	S\$6.000	(66,667)	–	5 Jun 2010 to 4 Jun 2015
5 Jun 2010	33,333	S\$6.000	(33,333)	–	10 Jun 2010 to 9 Jun 2015
Total	100,000			Nil	

(b) 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/ modification	Balance at 1 Jan 2015	Granted	Exercised	Cancelled/ lapsed	Balance at 31 Dec 2015	Exercise price per share	Exercise period
11 Dec 2013	4,255,321	–	–	(106,383)	4,148,938	£0.940	20 Feb 2014 to 20 Feb 2019
Total	4,255,321	–	–	(106,383)	4,148,938		

- (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.

AUDITORS

The auditor, KPMG LLP has indicated its willingness to accept reappointment at the Company's AGM.

ANNUAL GENERAL MEETING

The company's AGM will take place on 30 June 2016 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

26 May 2016



Timothy James Cornelius
Chief Executive Officer

AUDIT COMMITTEE REPORT

The Board has delegated responsibility to the Audit Committee to oversee the financial reporting, internal risk management and the effectiveness of the audit process. The Audit Committee provides independent oversight of both management and the external auditors and regularly reports to the Board on the execution of its duties and responsibilities.

The Committee consists of two non-executive directors (the "Members"), one of which is independent. The Board intends to increase the number of members to three during 2016. Further details on the committee's membership and attendance records for the financial year can be found in the Corporate Governance Report.

The Audit Committee has three scheduled meetings a year and works closely with the CFO and senior management to ensure that it 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. The chairman works closely with the management team and the Company Secretary to ensure that all relevant information is brought to the attention of the Members so that they can formulate an accurate assessment of the matters under consideration. The Company's CEO and CFO 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 auditor are invited to attend meetings of the Audit Committee on a regular basis.

The Audit Committee also engages with executive management to hear their views on a number of areas relating to the audit conduct, including the auditor's understanding of the business and their approach.

In accordance with its terms of reference, the Audit Committee, which reports its findings to the Board, is authorised to:

- Monitor the integrity of the Company's financial reporting and significant financial accounting policies and judgements to ensure that they portray an accurate and balanced view of the performance and prospects of the Company;
- Review the content of the audited financial statements where requested by the Board and advise on whether they are fair, balanced, understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- Monitor the effectiveness of the Company's internal controls and risk management framework;
- Consider annually whether the Company should initiate 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 to the appointment, reappointment 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 the external auditor's independence; and
- Review the effectiveness of the Company's systems for the detection of fraud and the prevention of bribery.

During 2015, the Audit Committee had three meetings, at which a number of matters were considered, including:

- review of the Group's risk registers;
- internal controls and risk management;
- financial statements and key assumptions;
- assessing the need for an internal audit function;
- policies and procedures;
- external auditor's report to the Audit Committee;
- the effectiveness of the audit process;
- external auditor reappointment;
- review of audit plan and fees; and
- composition of the Audit Committee.

AUDIT COMMITTEE REPORT continued

INSIGHTS INTO THE AUDIT COMMITTEE'S ACTIVITIES DURING THE YEAR

During the course of the year, the Audit Committee has reviewed, analysed and challenged the significant assumptions within the audited financial statements with an independent mind-set. The Audit Committee 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 reviewed the risk registers of the Company and its subsidiaries, to enable it to effectively maintain its oversight of the Group's risk management policy and risk management framework. It has been agreed that these risk registers would be reviewed by management, who would escalate any findings to the Audit Committee for consideration and report to the Board where necessary.

The Audit Committee has also considered the need for an internal audit function and felt that it was not necessary for the time being to establish one, given that the Group has a strong governance framework in place. However, it was agreed that the need for an internal audit function would be assessed on an annual basis.

The Audit Committee has satisfied itself that safeguards were in place to protect the objectivity and independence of the auditor. Generally, the Audit Committee's approach is not to use the auditor for non-audit work unless there is a good reason for not seeking an alternative supplier. The chairman of the Audit Committee reviews all requests for approval.

The Audit Committee has assessed the quality of the audit work with respect to the 2015 audit. The Audit Committee has also reviewed the confirmation from the external auditor that they remained independent. Accordingly, the Audit Committee has recommended that KPMG LLP be reappointed as the Company's auditor. KPMG LLP has expressed its willingness to be reappointed at the Company's next AGM and a resolution to appoint KPMG LLP as auditors of the Company will be put to the AGM.

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

26 May 2016

DIRECTORS' REMUNERATION REPORT

This report sets out details of the directors' remuneration in 2015. Shareholders will be asked to approve the Directors' 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 7.

REMUNERATION FRAMEWORK

The primary objective of the remuneration framework is to ensure that it supports delivery of the strategy of the Group. No changes are proposed to the directors' remuneration policy this year.

It is the Group's belief that its employees are key to the success of the Company and its business. As a consequence, the remuneration policy seeks to provide the appropriate reward to attract, motivate and retain high calibre people within the industry as it is these people who will help the directors to deliver the strategy and results. The Company's remuneration packages reflect legal and regulatory requirements and the Corporate Governance Guidelines published by the Quoted Companies Alliance.

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 short and long term. The remuneration of the non-executive directors is a matter for the Board subject to the constraints of the Company's Constitution. No director or manager is involved in any decision as to their own remuneration. 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, nature and stage of development. The Committee may also engage professional advisors to assist.

The Remuneration Committee will determine the policy for and scope of service agreements, termination payments and compensation commitments for the executive directors and the senior executive management team. It also ensures that directors' contractual terms on termination are observed, that failure is not rewarded and that the duty to mitigate loss is fully recognised. The Remuneration Committee will also agree the policy for authorising claims for expenses from the directors.

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				
<i>Ordinary shares</i>				
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.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received, or become entitled to receive, a benefit which is required to be disclosed under Section 201(8) of the Act under a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than salaries, bonuses and other benefits as shown in these financial statements. Certain directors received remuneration from a related corporation in their capacity as directors and/or executives of those related corporations.

DIRECTORS' 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 maximum 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 a maximum of 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 2015 and 31 December 2014.

Director	Annual remuneration	
	2015 S\$'000	2014 S\$'000
John Mitchell Neill	157	157
Timothy James Cornelius ⁽¹⁾	646	685
Duncan Stuart Black ⁽²⁾	388	545
Michael Robert Lloyd	76	75
Ian Anthony Macdonald	72	72
John Anthony Clifford Woodley	72	72
Rune Nilsen ⁽³⁾	–	–
Ian George Cobban ⁽⁴⁾	38	–

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

(2) Was CFO until 7 September 2015. He became a non-executive director on 8 September 2015.

(3) Resigned as a director with effect from 3 August 2015

(4) Appointed as a director with effect from 3 August 2015

LONG TERM INCENTIVE PLAN ("LTIP")

On 11 December 2013, it was agreed, contingent on admission, that the Company offered certain senior management and directors options over shares through a LTIP. During the year, the Remuneration Committee recommended to the Board that the rules of the LTIP should be 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, there has been no change to vesting dates.

The options granted to directors are shown below:

Name	Date of grant	Ordinary share	Nature of award	Exercise price	Vesting period
Timothy Cornelius	11 December 2013	1,063,830	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Duncan Black	11 December 2013	851,064	Option	£0.94	1/3 on each of first, second and third anniversary of grant
John Neill	11 December 2013	1,063,830	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Michael Lloyd	11 December 2013	106,383	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Ian Macdonald	11 December 2013	265,958	Option	£0.94	1/3 on each of first, second and third anniversary of grant

Vested awards are exercisable up until the fifth anniversary of the date of the grant.

DIRECTORS' REMUNERATION REPORT continued

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.

SHAREHOLDER VOTE AT THE ANNUAL GENERAL MEETING

The 2015 Directors' Remuneration Report will be put to an advisory shareholder vote at the 2016 AGM. The remuneration policy remains unchanged for 2015.

The 2014 Directors' Remuneration Report was approved by shareholders with a vote of 57,617,834 votes in favour (94.19%) at the 2015 AGM.

Approved and signed on behalf of the Board.



John Mitchell Neill
Chairman of the Remuneration Committee

26 May 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATLANTIS RESOURCES LIMITED



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REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Atlantis Resources Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position and statements of changes in equity of the Group and the Company as at 31 December 2015, the statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 62.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the changes in equity of the Group and Company and the financial performance and cash flows of the Group for the year ended on that date.

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.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
26 May 2016

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	Note	2015 S\$'000	2014 S\$'000
Revenue	4	2,889	5,279
Other gains	5	27,913	1,129
Employee benefits expenses	6	(9,734)	(7,016)
Other operating expenses		(5,573)	(5,375)
Subcontractor costs		(1,292)	(3,363)
Depreciation and amortisation	11,12	(3,301)	(3,185)
Impairment loss on property, plant and equipment	11	(3,951)	–
Research and development costs		(1,299)	(840)
Total expenses		(25,150)	(19,779)
Results from operating activities		5,652	(13,371)
Finance costs	7	(1,290)	(2,835)
		4,362	(16,206)
Share of results of equity-accounted investees	8	(103)	–
Profit/(loss) before tax		4,259	(16,206)
Tax credit	9	–	11
Profit/(loss) for the year	10	4,259	(16,195)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		553	996
Related tax		–	–
Other comprehensive income for the year, net of tax		553	996
Total comprehensive income for the year		4,812	(15,199)
Profit/(loss) attributable to:			
Owners of the Group		4,413	(16,195)
Non-controlling interests		(154)	–
Total comprehensive income attributable to:			
Owners of the Group		5,096	(15,199)
Non-controlling interests		(284)	–
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share	26	0.04	(0.22)

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 2015

	Notes	Group		Company	
		2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Assets					
Property, plant and equipment	11	85,947	70,508	43	28
Intangible assets	12	64,718	43,194	5,464	6,010
Investments in subsidiaries	13	–	–	27,744	18,525
Loans to subsidiaries	14	–	–	25,073	22,791
Investment in joint venture	8	442	–	–	–
Loan to joint venture	15	1,903	–	1,903	–
Trade and other receivables	16	–	–	23,168	19,826
Non-current assets		153,010	113,702	83,395	67,180
Trade and other receivables	16	12,972	3,719	163	5,015
Cash and cash equivalents	17	25,645	29,247	322	392
Current assets		38,617	32,966	485	5,407
Total assets		191,627	146,668	83,880	72,587
Trade and other payables	18	17,721	18,562	3,533	4,185
Provisions	19	4,257	795	–	–
Loans and borrowings	20	4,448	–	437	494
Current liabilities		26,426	19,357	3,970	4,679
Liabilities					
Loans and borrowings	20	36,479	21,375	690	650
Deferred tax liabilities	21	8,006	7,905	–	–
Non-current liabilities		44,485	29,280	690	650
Total liabilities		70,911	48,637	4,660	5,329
Net assets		120,716	98,031	79,220	67,258
Equity					
Share capital	22	199,659	185,500	199,659	185,500
Capital reserve	23	11,917	11,448	–	–
Translation reserve	24	963	280	–	–
Option fee	25	10	10	10	10
Share option reserve	25	6,763	4,932	6,763	4,932
Accumulated losses		(108,354)	(112,767)	(127,212)	(123,184)
Total equity attributable to owners of the Company		110,958	89,403	79,220	67,258
Non-controlling interests	13	9,758	8,628	–	–
Total equity		120,716	98,031	79,220	67,258

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

	Note	Attributable to owners of the Company							Non-controlling interest S\$'000	Total S\$'000
		Share capital S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Option fee S\$'000	Share option reserve S\$'000	Accumulated losses S\$'000	Total S\$'000		
Group										
At 1 January 2014		114,906	–	(716)	10	3,994	(96,572)	21,622	–	21,622
Total comprehensive income for the year										
Loss for the year		–	–	–	–	–	(16,195)	(16,195)	–	(16,195)
Other comprehensive income		–	–	996	–	–	–	996	–	996
Total comprehensive income for the year		–	–	996	–	–	(16,195)	(15,199)	–	(15,199)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	22	32,758	–	–	–	–	–	32,758	–	32,758
Conversion of convertible loans into shares during public offering	22	37,836	–	–	–	–	–	37,836	–	37,836
Recognition of share-based payments	25	–	–	–	–	938	–	938	–	938
Changes in ownership interest in subsidiary										
Dilution of interest in a subsidiary without change in control	13(b)	–	11,448	–	–	–	–	11,448	8,628	20,076
Total transactions with owners		<u>70,594</u>	<u>11,448</u>	<u>–</u>	<u>–</u>	<u>938</u>	<u>–</u>	<u>82,980</u>	<u>8,628</u>	<u>91,608</u>
At 31 December 2014		<u>185,500</u>	<u>11,448</u>	<u>280</u>	<u>10</u>	<u>4,932</u>	<u>(112,767)</u>	<u>89,403</u>	<u>8,628</u>	<u>98,031</u>

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

STATEMENTS OF CHANGES IN EQUITY continued

YEAR ENDED 31 DECEMBER 2015

	Note	Attributable to owners of the Company							Non-controlling interest S\$'000	Total S\$'000
		Share capital S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Option fee S\$'000	Share option reserve S\$'000	Accumulated losses S\$'000	Total S\$'000		
Group										
At 1 January 2015		185,500	11,448	280	10	4,932	(112,767)	89,403	8,628	98,031
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	4,413	4,413	(154)	4,259
Other comprehensive income		–	–	683	–	–	–	683	(130)	553
Total comprehensive income for the year										
		–	–	683	–	–	4,413	5,096	(284)	4,812
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	22	14,159	–	–	–	–	–	14,159	–	14,159
Recognition of share-based payments	25	–	–	–	–	1,831	–	1,831	–	1,831
Changes in ownership interest in subsidiary										
Dilution of interest in a subsidiary without change in control	13(b)	–	469	–	–	–	–	469	1,414	1,883
Total transactions with owners										
		14,159	469	–	–	1,831	–	16,459	1,414	17,873
At 31 December 2015		199,659	11,917	963	10	6,763	(108,354)	110,958	9,758	120,716

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

STATEMENTS OF CHANGES IN EQUITY continued

YEAR ENDED 31 DECEMBER 2015

	Note	Share capital S\$'000	Option fee S\$'000	Share option reserve S\$'000	Accumulated losses S\$'000	Total S\$'000
At 1 January 2014		114,906	10	3,994	(113,290)	5,620
Total comprehensive expense for the year						
Loss for the year		–	–	–	(9,894)	(9,894)
Total comprehensive income for the year		–	–	–	(9,894)	(9,894)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of share capital	22	32,758	–	–	–	32,758
Conversion of convertible loans into shares during public offering	22	37,836	–	–	–	37,836
Recognition of share-based payments	25	–	–	938	–	938
Total transactions with owners		70,594	–	938	–	71,532
At 31 December 2014		185,500	10	4,932	(123,184)	67,258
At 1 January 2015		185,500	10	4,932	(123,184)	67,258
Total comprehensive expense for the year						
Loss for the year		–	–	–	(4,028)	(4,028)
Total comprehensive income for the year		–	–	–	(4,028)	(4,028)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of share capital	22	14,159	–	–	–	14,159
Recognition of share-based payments	25	–	–	1,831	–	1,831
Total transactions with owners		14,159	–	1,831	–	15,990
At 31 December 2015		199,659	10	6,763	(127,212)	79,220

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Note	2015 S\$'000	2014 S\$'000
Cash flows from operating activities			
Profit/(loss) before tax		4,259	(16,206)
Adjustments for:			
Bargain purchase arising from business combination	13	(19,270)	–
Gain on disposal of subsidiary	5	(947)	–
Remeasurement gain on investment retained in the former subsidiary	5	(947)	–
Grant income	5	(5,953)	(668)
Impairment loss on property, plant and equipment	11	3,951	–
Depreciation of property, plant and equipment	11	75	37
Amortisation of intangible asset	12	3,226	3,148
Interest expense		1,290	2,835
Share-based payments	6	1,831	938
Provisions reversed during the year	19	316	(309)
Share of loss of joint venture, net of tax		103	–
Net foreign exchange		(548)	727
Operating cash flows before movements in working capital		(12,614)	(9,498)
Movements in trade and other receivables		237	(2,411)
Movements in trade and other payables		(2,784)	7,574
Net cash used in operating activities		(15,161)	(4,335)
Cash flows from investing activities			
Purchase of property, plant and equipment		(38,340)	(27,361)
Expenditure on project development	12	(2,508)	(4,080)
Cash received from disposal of subsidiary	13(d)	545	–
Acquisition of subsidiary, net of cash acquired	13(c)	117	–
Net cash used in investing activities		(40,186)	(31,441)
Cash flows from financing activities			
Proceeds from grants received		27,922	4,990
Proceeds from issue of shares	22	5,541	35,558
Share issuance cost	22	(277)	(2,800)
Proceeds from borrowings		16,290	7,293
Repayment of borrowings		–	(2,400)
Deposits released/(pledged)		1,798	(4,446)
Interest paid		–	(262)
Non-controlling interest		1,883	20,076
Net cash from financing activities		53,157	58,009
Net (decrease)/increase in cash and cash equivalents		(2,190)	22,233
Cash and cash equivalents at 1 January		23,089	908
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		386	(52)
Cash and cash equivalents at 31 December	17	21,285	23,089

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board on 26 May 2016.

1. DOMICILE AND ACTIVITIES

Atlantis Resources Limited is a company incorporated in Singapore. The address of the Company's registered office is 65 Niven Road, Singapore 228414.

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.

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 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in an 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").

The financial statements are presented in Singapore dollars (S\$), rounded to the nearest thousand.

Adoption of IFRS and revised standards

The adoption of the new and revised International Accounting Standards ("IASs") for the financial year beginning 1 January 2015 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 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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 IAS 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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 three 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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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*.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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

31 DECEMBER 2015

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.

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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 Singapore dollars, 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 Singapore dollars 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.

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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 the development of tidal current power projects and in developing its turbines for installation in those projects. It currently considers its business as two 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 2015, 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. 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 is currently assessing the impact upon adoption of this standard in the financial year ending 31 December 2018.

- 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.

- IAS 17 *Leases*

The new leases standard establishes the principles that entities would apply to report information to users of the financial statements about the amount, timing and uncertainty of cash flows arising from a lease. The new standards will require a lessee to recognise assets and liabilities arising from a lease on its balance sheet.

Management is currently evaluating the impact of the implementation of these standards, 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:

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

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

Recoverability of project-under-construction

The recoverable amount of the project-under-construction was derived based on the fair value less costs to sale. The fair value is supported using both the proposed subscription price of the shares in TPSL by DEME and SPR's acquisition and associated investment in TPSL. The recoverable amount so determined was in excess of the carrying value recorded of S\$85,610,000 (2014: S\$66,458,000) as disclosed in Note 11, and accordingly, management has taken the view that no impairment loss on the assets was required.

At the end of every year, management assesses the existing condition and performance of its assets to identify if there is any evidence that project-under-construction may be impaired.

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 recoverable amounts of the intangible assets related to the global technology licence, intellectual property and development costs are estimated based on their value in use. When value in use calculations are undertaken, management estimates the expected future cash flows from the cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. Management is confident that the carrying amount of the assets will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments will be made in future periods if future market activity indicates that such adjustments are appropriate.

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. The Company, which is based in Singapore, provides corporate services to all subsidiaries and supports the Company's projects in Asia. The Company is involved in and provides support to development projects globally. The sale prices on costs of developing the projects are subject to local competitive forces and regulations. As such, the Company has determined that Singapore dollars is the currency that most faithfully represents the economic effects of the underlying transactions of the Company.

Further to the announcement to move the corporate headquarters from Singapore to Edinburgh, management is in the process of evaluating whether Singapore dollars should still remain as the Company's functional currency going forward.

4. REVENUE

	Group	
	2015 S\$'000	2014 S\$'000
Consulting fees	2,889	5,279

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

5. OTHER GAINS

	Group	
	2015 S\$'000	2014 S\$'000
Interest income	54	–
Bargain purchase arising from business combination (Note 13(c))	19,270	–
Gain on disposal of subsidiary (Note 8, 13(d))	947	–
Re-measurement gain on investment retained in the former subsidiary (Note 8, 13(d))	947	–
Grant income	5,953	668
Other income	742	461
	<u>27,913</u>	<u>1,129</u>

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 MCT (see Note 13(c)).

6. EMPLOYEE BENEFITS EXPENSES

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

	Group	
	2015 Number	2014 Number
Average number of employees (including executive directors)	<u>48</u>	<u>35</u>

Their aggregate remuneration comprised:

	Group	
	2015 S\$'000	2014 S\$'000
Wages, salaries and other short term benefits	6,348	4,901
Social security costs	1,009	797
Share-based payment (Note 25)	1,831	938
Other related costs	546	380
	<u>9,734</u>	<u>7,016</u>

7. FINANCE COSTS

	Group	
	2015 S\$'000	2014 S\$'000
Interest expense arising from:		
– loans from shareholders	–	262
– loans from a related party	5	804
– long term loans	1,276	1,175
– others	9	–
Changes in fair value of derivative liability	–	594
	<u>1,290</u>	<u>2,835</u>

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

8. JOINT VENTURE

On 3 October 2015, the Company sold a 50% stake in AOC to DP Group Limited for a consideration of S\$545,000 (£250,000), to form a partnership to develop a multi-turbine array at the 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 S\$1,894,000, which is reflected as "other gains" in the consolidated statement of profit and loss and other comprehensive income (Note 5).

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.

	01/10/2015 to 31/12/2015 S\$'000
Loss for the period/Total comprehensive income	(206)⁽¹⁾
Non-current assets	2,882
Current assets	76 ⁽²⁾
Non-current liabilities	(2,063)
Current liabilities	(11)
Net assets	884
Group's interest in net assets of investee at the acquisition date	545
Share of total comprehensive income	(103)
Carrying amount of interest in investee at end of the year	442

(1) Includes interest expense of S\$4,000.

(2) Includes cash and cash equivalents of S\$5,000.

9. TAX CREDIT

	Group	
	2015 S\$'000	2014 S\$'000
Current tax credit		
Over provision for prior year	–	(11)

Domestic income tax is calculated at 17% (2014: 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2015 S\$'000	2014 S\$'000
Reconciliation of effective tax rate		
Profit/(loss) before tax	4,259	(16,206)
Tax using the Singapore tax rate of 17% (2014: 17%)	724	(2,755)
Effect of tax rates in foreign jurisdictions	(105)	369
Non-allowable items	–	408
Non-taxable income	(3,598)	–
Tax effect of deferred tax asset not recognised	2,128	1,978
Over provision for prior year	–	(11)
	–	(11)

At the end of the reporting period, the Group has unutilised tax losses of S\$132,547,000 (2014: S\$91,548,000) available for offset against future profits. The amount of the Company's unutilised tax losses available for offset against future profits is S\$67,378,000 (2014: S\$63,349,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

10. PROFIT/(LOSS) FOR THE YEAR

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

	Note	Group	
		2015 S\$'000	2014 S\$'000
Depreciation	11	75	37
Amortisation	12	3,226	3,148
Impairment loss on property, plant and equipment	11	3,951	–
Auditors' remuneration			
– Audit and audit-related fees		223	232
Share-based payments	25	1,831	938
Rental expenses		587	338
Net foreign exchange losses		392	132
IPO costs		–	139
		<u> </u>	<u> </u>

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land S\$'000	Leasehold improvements S\$'000	Furniture fixture and equipment S\$'000	Computer equipment and software S\$'000	Construction- in-progress S\$'000	Project- under- construction S\$'000	Total S\$'000
Cost:							
At 1 January 2014	42	–	113	899	2,904	–	3,958
Additions	–	69	15	18	–	28,164	28,266
Reclassifications	–	–	–	–	1,031	37,639	38,670
Reimbursed by grants	–	–	–	–	–	(719)	(719)
Disposals	–	–	(66)	(32)	–	–	(98)
Exchange differences	(1)	–	–	–	(37)	1,374	1,336
At 31 December 2014	41	69	62	885	3,898	66,458	71,413
Additions	–	–	171	108	4	41,706	41,989
Reimbursed by grants	–	–	–	–	–	(23,119)	(23,119)
Exchange differences	1	–	–	–	49	565	615
At 31 December 2015	<u>42</u>	<u>69</u>	<u>233</u>	<u>993</u>	<u>3,951</u>	<u>85,610</u>	<u>90,898</u>
Accumulated depreciation:							
At 1 January 2014	–	–	107	844	–	–	951
Depreciation for the year	–	12	3	22	–	–	37
Disposals	–	–	(66)	(17)	–	–	(83)
At 31 December 2014	–	12	44	849	–	–	905
Depreciation for the year	–	29	29	17	–	–	75
Impairment loss	–	–	–	–	3,951	–	3,951
Exchange differences	–	–	–	20	–	–	20
At 31 December 2015	<u>–</u>	<u>41</u>	<u>73</u>	<u>886</u>	<u>3,951</u>	<u>–</u>	<u>4,951</u>
Carrying amounts:							
At 1 January 2014	42	–	6	55	2,904	–	3,007
At 31 December 2014	41	57	18	36	3,898	66,458	70,508
At 31 December 2015	<u>42</u>	<u>28</u>	<u>160</u>	<u>107</u>	<u>–</u>	<u>85,610</u>	<u>85,947</u>

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

11. PROPERTY, PLANT AND EQUIPMENT continued

Company	Furniture fixture and equipment S\$'000	Computer equipment and software S\$'000	Total S\$'000
Cost:			
At 1 January 2014	112	849	961
Additions	16	1	17
Disposals	(66)	(61)	(127)
At 31 December 2014	62	789	851
Additions	–	33	33
At 31 December 2015	62	822	884
Accumulated depreciation:			
At 1 January 2014	107	821	928
Depreciation for the year	3	19	22
Disposals	(66)	(61)	(127)
At 31 December 2014	44	779	823
Depreciation for the year	6	12	18
At 31 December 2015	50	791	841
Carrying amounts:			
At 1 January 2014	5	28	33
At 31 December 2014	18	10	28
At 31 December 2015	12	31	43

(a) Construction-in-progress

Included in construction-in-progress is the Group's AR1000 turbine. At the reporting date, 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 is required on the carrying amount of the AR1000 turbine. Accordingly, a full impairment loss of S\$3,951,000 was recognised in profit or loss.

In 2014, the reclassification refers to decommissioning expenses that were previously capitalised as intangible assets.

(b) Project-under-construction

In September 2014, the Group commenced construction of the MeyGen project and costs incurred in 2015 totalled S\$41,706,000 (2014: S\$28,164,000). Included in this amount are capitalised borrowing costs amounting to S\$1,454,000 (2014: S\$905,000), which amount corresponds to an average interest cost of borrowings of 5% per annum.

Reclassification in 2014 represents option fees for a seabed lease and land at Ness of Quoy, Scotland, of S\$37,052,000 and development costs of S\$587,000, which were reclassified from other assets and intangibles, respectively, upon signing of the seabed lease.

Aggregate grants of S\$27.7 million (£13.3 million), comprising a S\$20.9 million (£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 S\$6.8 million (£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 2015, assets of subsidiaries with carrying amounts of S\$85,896,000 (2014: S\$33,751,000) were pledged as security to secure loans (Note 20(e)).

NOTES TO FINANCIAL STATEMENTS continued

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12. INTANGIBLE ASSETS

Group	Global technology licence S\$'000	Intellectual property S\$'000	Development costs S\$'000	Seabed options S\$'000	Tidal data S\$'000	Development project in progress S\$'000	Total S\$'000
Cost:							
At 1 January 2014	17,190	1,199	31,541	–	2,908	747	53,585
Additions	–	–	–	–	–	4,080	4,080
Reclassifications	–	–	(1,618)	–	–	–	(1,618)
Exchange differences	–	–	(312)	–	116	(55)	(251)
At 31 December 2014	17,190	1,199	29,611	–	3,024	4,772	55,796
Additions	–	–	–	–	–	2,508	2,508
Acquisition through business combination	–	5,423	–	20,734	–	–	26,157
Reimbursed by grants	–	–	–	–	–	(3,900)	(3,900)
Exchange differences	–	(72)	133	(273)	39	195	22
At 31 December 2015	17,190	6,550	29,744	20,461	3,063	3,575	80,583
Accumulated amortisation:							
At 1 January 2014	3,438	240	5,867	–	–	–	9,545
Amortisation for the year	1,146	80	1,922	–	–	–	3,148
Exchange differences	–	–	(91)	–	–	–	(91)
At 31 December 2014	4,584	320	7,698	–	–	–	12,602
Amortisation for the year	1,146	80	2,000	–	–	–	3,226
Exchange differences	–	–	37	–	–	–	37
At 31 December 2015	5,730	400	9,735	–	–	–	15,865
Carrying amounts:							
At 1 January 2014	13,752	959	25,674	–	2,908	747	44,040
At 31 December 2014	12,606	879	21,913	–	3,024	4,772	43,194
At 31 December 2015	11,460	6,150	20,009	20,461	3,063	3,575	64,718
Company				Intellectual property S\$'000	Development costs S\$'000		Total S\$'000
Cost:							
At 1 January 2014, 31 December 2014 and 31 December 2015				1,199	6,996		8,195
Accumulated amortisation:							
At 1 January 2014				240	1,399		1,639
Amortisation for the year				80	466		546
At 31 December 2014				320	1,865		2,185
Amortisation for the year				80	466		546
At 31 December 2015				400	2,331		2,731
Carrying amounts:							
At 1 January 2014				959	5,597		6,556
At 31 December 2014				879	5,131		6,010
At 31 December 2015				799	4,665		5,464

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

12. INTANGIBLE ASSETS continued

(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, seabed options, international patent applications and registered trademarks of the Company.

During the 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.

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.

In 2014, reclassification refers to project development costs for MeyGen that were transferred to property, plant and equipment upon signing of the seabed lease (Note 11).

(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.

(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 ongoing 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

	2015 S\$'000	Company 2014 S\$'000
Unquoted equity shares, at cost	27,744	18,525
Less: Allowance for impairment		
At 1 January	–	(283)
Realised on transfer to a subsidiary	–	283
At 31 December	27,744	18,525

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

13. INVESTMENTS IN SUBSIDIARIES continued

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	
			2015 %	2014 %
Atlantis Turbines Pte Ltd (previously known as Atlantis Asset Management Pte Limited) ⁽¹⁾	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
Atlantis Operations (Canada) Limited ⁽⁴⁾	Development of tidal power generation project	Canada	–	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				
MeyGen Holdings Limited (previously known as Tidal Power Scotland Holdings Limited) ⁽⁵⁾	Investment holding	United Kingdom	–	85.87
Tidal Power Scotland Limited ⁽²⁾	Investment holding	United Kingdom	100	–
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	85	–
Islay Holdings Limited ⁽²⁾	Development of tidal power generation project	United Kingdom	100	–
Duncansby Tidal Power Limited ⁽²⁾	Development of tidal power generation project	United Kingdom	100	–
Name of subsidiary held by MeyGen Holdings Limited				
MeyGen Limited ⁽⁵⁾⁽⁶⁾	Development of tidal power generation project	United Kingdom	100	100
Name of subsidiary held by Islay Holdings Limited				
Islay Tidal Power Limited ⁽²⁾	Development of tidal power generation project	United Kingdom	100	–

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

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	
			2015 %	2014 %
Name of subsidiary held by				
Atlantis Turbines Pte Limited				
Marine Current Turbines Limited ⁽⁵⁾	Development of turbines and projects	United Kingdom	100	–
Name of subsidiary held by				
Marine Current Turbines Limited				
Sea Generation Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	–
Sea Generation (Wales) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	–
Sea Generation (Kyle Rhea) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	–
Sea Generation (Brough Ness) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	–

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

(2) Not required to be audited as the subsidiary is newly incorporated.

(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) As at 31 December 2015, shares in MeyGen Limited are pledged as security to secure bank loans (see Note 20).

(a) Share-based payments

During the financial year, share-based payments granted by the Company have resulted in an increase in the deemed investment in Current Resources (Cayman) Limited and Atlantis Resources (Scotland) Limited ("ARSL") amounting to S\$465,000 (£221,000) (2014: S\$234,000 (£113,000)) and S\$50,000 (£24,000) (2014: S\$35,000 (£17,000)) respectively, and correspondingly increased the investment in Current Resources (Cayman) Limited and ARSL to S\$18,493,000 (2014: S\$18,000,000) and S\$80,000 (2014: S\$30,000) respectively.

(b) Dilution of interest in subsidiary

On 12 February 2014, the existing 10% of MeyGen Limited ("MeyGen") held directly by the Company was transferred to Atlantis Projects Pte Ltd ("APPL"), making MeyGen a wholly owned subsidiary of APPL. Subsequently, in July 2014, as part of the MeyGen project financing requirements, MeyGen Holdings Limited ("MGHL") (previously known as Tidal Power Scotland Holdings Limited) was incorporated as an intermediate holding company, wholly owned by APPL. On 12 August 2014, 100% of the shares in MeyGen were acquired by MGHL from APPL for £50 million. MGHL's shares in MeyGen are pledged to the MeyGen project finance lenders. On 20 November 2015, TPSL was incorporated, and APPL's shareholdings in MGHL were transferred to TPSL at the subscription price of the shares.

Under the terms of a Subscription Agreement, by 31 December 2015, Scottish Enterprise, as administrator of the Renewable Energy Investment Fund, had made an equity investment of £10.8 million (S\$22.4 million) in MGHL, while the Company, via APPL, had subscribed for a total of £9.7 million (S\$20.1 million) in new shares of MGHL. As a result, at 31 December 2015, Scottish Enterprise had a 15% (2014: 14.13%) shareholding in MGHL, with APPL retaining the remaining shareholding of 85% (2014: 85.87%) via TPSL. The Group recognised S\$469,000 (2014: S\$11,448,000) in equity, which represents the difference between the consideration received from the Scottish Enterprise and net assets attributable to Scottish Enterprise.

The following table summarises the information relating to Group's material non-controlling interest in MeyGen, 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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

13. INVESTMENTS IN SUBSIDIARIES continued

	2015 S\$'000	2014 S\$'000
NCI percentage	15%	14.13%
Non-current assets	93,547	69,733
Current assets	23,191	26,181
Non-current liabilities	(39,873)	(24,353)
Current liabilities	(11,812)	(10,503)
Net assets	65,053	61,058
Net assets attributable to NCI	9,758	8,628
Cash flows from investing activities	(31,704)	(24,201)
Cash flows from financing activities	26,227	41,248
Net (decrease)/increase in cash and cash equivalents	(5,477)	17,047
	2015 S\$'000	2014 S\$'000
Loss for the year	1,027	–
Other comprehensive income	867	–
Total comprehensive income	1,894	–
Attributable to NCI:		
Loss for the year	154	–
Other comprehensive income	130	–
Total comprehensive income	284	–

There is no profit/loss attributable to non-controlling interest in 2014.

(c) Acquisition of subsidiary in 2015

On 1 July 2015, Atlantis Turbines Pte Ltd, 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 Atlantis 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 S\$8,895,000 (£4,212,420).

The acquisition-related costs amounting to S\$572,000 were excluded from the consideration transferred and have been recognised as an expense in profit and loss in 2015 within the “other operating expenses”.

The acquired business contributed losses and revenue amounting to S\$1,362,000 and S\$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 S\$Nil and S\$6,497,595 respectively.

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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

13. INVESTMENTS IN SUBSIDIARIES continued

Identifiable assets acquired and liabilities assumed at 1 July 2015

	Acquiree's carrying amount before business combination S\$'000	Fair value adjustments S\$'000	Fair value S\$'000
Non-current assets			
Intangible assets	–	26,157	26,157
Total non-current assets	–	26,157	26,157
Current assets			
Cash and cash equivalents	117	–	117
Other receivables	5,702	–	5,702
Total current assets	5,819	–	5,819
Current liabilities			
Trade and other payables	(633)	–	(633)
Provision for decommissioning	(3,178)	–	(3,178)
Total current liabilities	(3,811)	–	(3,811)
Total identifiable net assets	2,008	26,157	28,165

Intangible assets

Intangible assets refer to the MCT technology and seabed options.

MCT 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 for different projects. The fair value of the options, amounting to S\$20,734,000 (£9,788,000), takes 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.

Deferred tax assets and deferred tax liability

Tax losses amounting to S\$55,278,000 (£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 MCT 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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

13. INVESTMENTS IN SUBSIDIARIES continued

Bargain purchase arising on business combination on 1 July 2015

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

	S\$'000
Total consideration transferred	8,895
Fair value of identifiable net assets	(28,165)
Bargain purchase	(19,270)

The bargain purchase arising from the acquisition of MCT is attributable mainly to Siemen's 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:

	S\$'000
Cash and cash equivalents acquired	117
Total consideration transferred in cash	—
Net cash inflow	117

If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

(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 S\$545,000 (£250,000), and AOC became a joint venture of the Group.

Divestment of interest in subsidiary

	S\$'000
Total consideration received in cash	545
50% interest in AOC's net liabilities	402
Gain on divestment of 50% interest in AOC	947

Net cashflow on divestment of subsidiary

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

	S\$'000
Cash and cash equivalents disposed	— ⁽¹⁾
Total consideration received	545
	545

⁽¹⁾ denotes amount less than S\$1,000.

Formation of joint venture

	S\$'000
Group's 50% interest in AOC's net liabilities before remeasurement to fair value	(402)
Re-measurement gain on investment retained in AOC	947
Group's 50% interest in AOC on date of formation of joint venture, at fair value	545

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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

14. LOANS TO SUBSIDIARIES

	Company	
	2015 S\$'000	2014 S\$'000
Loans to subsidiaries:		
– Interest bearing (a)	1,922	1,789
– Non-interest bearing (b)	23,151	21,002
	<u>25,073</u>	<u>22,791</u>

(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.

15. LOAN TO JOINT VENTURE

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	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Trade receivables	26	–	–	–
Deposits	3,303	176	15	16
Grant receivable	5,050	–	–	–
Value added tax recoverable	2,509	2,275	11	56
Other receivables	614	28	–	–
	<u>11,502</u>	<u>2,479</u>	<u>26</u>	<u>72</u>
Loans and receivables	–	–	24,054	28,051
Non-trade receivables due from subsidiaries	–	–	–	–
Less:				
Allowance for impairment	–	–	(885)	(3,449)
Prepayments	1,470	1,240	136	167
	<u>12,972</u>	<u>3,719</u>	<u>23,331</u>	<u>24,841</u>
Non-current	–	–	23,168	19,826
Current	12,972	3,719	163	5,015
	<u>12,972</u>	<u>3,719</u>	<u>23,331</u>	<u>24,841</u>

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 made provision for impairment of S\$885,000 (2014: S\$3,449,000) 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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

16. TRADE AND OTHER RECEIVABLES continued

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

	Group		Company	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
At the beginning of the year	–	–	3,449	–
Impairment loss recognised	–	–	885	3,449
Amounts written off	–	–	(3,449)	–
At the end of the year	–	–	885	3,449

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	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Cash at bank	21,160	23,039	321	382
Fixed deposits	4,360	6,158	–	–
Cash on hand	125	50	1	10
Cash and cash equivalents in the statements of financial position	25,645	29,247	322	392
Less: Encumbered deposits	(4,360)	(6,158)	–	–
Cash and cash equivalents in the statement of cash flows	21,285	23,089	322	392

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.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Trade payables	7,921	9,894	377	1,245
Other payables	549	127	57	56
Accruals	8,517	4,065	776	726
Non-trade payables due to subsidiaries	–	–	2,323	2,158
Other financial liabilities	16,987	14,086	3,533	4,185
Advanced receipts	734	4,476	–	–
	17,721	18,562	3,533	4,185

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

Atlantis Operations (UK) Limited ("AOU"), a wholly owned subsidiary of the Company, entered into a grant agreement with the European Commission for the award of up to €7,294,905 (S\$12,686,000) in grant funding towards the design, build, installation and operation of three AR1500 turbines at the MeyGen site (Note 12(f)). Advanced receipts include drawdowns of €347,586 (S\$535,000) (2014: €2,320,895 (S\$3,721,000)) 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.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

19. PROVISIONS

	Group			Total S\$'000
	Warranty provision S\$'000	Provision for decommissioning costs S\$'000	Other provision S\$'000	
At 1 January 2014	73	1,031	–	1,104
Provision written back during the year	–	(309)	–	(309)
At 31 December 2014	73	722	–	795
Assumed in business combination	–	3,178	–	3,178
Provision made during the year	–	303	13	316
Exchange difference	–	(32)	–	(32)
At 31 December 2015	73	4,171	13	4,257

	Group		Company	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Non-current	303	–	–	–
Current	3,954	795	–	–
	4,257	795	–	–

(a) Warranty provision

The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required in relation to equipment sales made during the year. The estimate has been made on the basis of quotes obtained from external contractors.

(b) Provision for decommissioning costs

The provision for decommissioning costs represents the present value of the directors' best estimate of direct costs that may be incurred to remove the turbine foundation from the seabed. Provisions 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. Provision of S\$303,000 (£150,000) was made during the year for the removal of AR1500 for MeyGen Project located in the Inner Sound of the Pentland Firth.

Provision made in 2014 relates to the removal of the AR1000 turbine foundation from the Group's testing berth at the European Marine Energy Centre in Scotland and making good the site. The anticipated expenditure for the decommissioning of the foundation, net of its scrap value, is S\$734,000 (£350,000) (2014: S\$722,000 (£350,000)).

20. LOANS AND BORROWINGS

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

		Group		Company	
		2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Current loans and borrowings					
Secured bridging loan from non-controlling interest	(a)	4,448	–	–	–
Financial guarantees		–	–	437	494
		4,448	–	437	494
Non-current loans and borrowings					
Loan from a subsidiary	(b)	–	–	690	650
Loans from a related party	(c)	7,953	7,376	–	–
Long term loan	(d)	7,866	7,293	–	–
Secured long term loans	(e)	20,660	6,706	–	–
		36,479	21,375	690	650
Total loans and borrowings		40,927	21,375	1,127	1,144

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

20. LOANS AND BORROWINGS continued

(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. The drawdown of the loan is conditional upon the completion of the acquisition of MCT, and with the Company as a guarantor.

The loan is denominated in British pounds, with a fixed interest rate of 10% per annum, is secured on the assets of MCT, AOU and ARSL and is repayable in 2016, 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 S\$700,000 (2014: S\$427,000).

(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 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 (S\$4.1 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 (S\$4.1 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 (S\$1,046,000) loan. The loan has a three-year term and is repayable as a single bullet repayment at the end of the term, and 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 (S\$15.5 million) to MeyGen to finance the construction of the project. The Crown Estate Commissioners committed an investment of £9.8 million (S\$20.2 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 2015, the total loans drawn down were S\$14,571,000 (£6,971,000) (2014: S\$2,300,000 (£1,465,000)).

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

20. LOANS AND BORROWINGS continued

The Group's secured long term loans are secured by way of fixed and floating charges over the assets of subsidiaries. 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.

21. DEFERRED TAX LIABILITIES

Movements in deferred tax of the Group are as follows:

	Group	
	2015 S\$'000	2014 S\$'000
At 1 January	7,905	7,602
Exchange differences	101	303
At 31 December	<u>8,006</u>	<u>7,905</u>

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

22. SHARE CAPITAL

	Group and Company				
	Number of ordinary shares with no par value '000	Number of ordinary "A" shares '000	Number of non-voting preference "B" shares '000	Number of non-voting preference "C" shares '000	Total S\$'000
2015					
Issued and paid up during the year:					
At beginning of the year	89,204	–	–	–	185,500
Issued in business combination	9,912	–	–	–	8,895
Public offerings issued for cash	5,952	–	–	–	5,541
Transaction costs incurred in relation to share issuance	–	–	–	–	(277)
At end of the year	<u>105,068</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>199,659</u>
2014					
Issued and paid up during the year:					
At beginning of the year	–	1,258,217	27,250	59,524	114,906
Conversion into ordinary "A" shares	–	86,774	(27,250)	(59,524)	–
Consolidation of shares of 1 ordinary share for every 30 ordinary "A" shares	44,833	(1,344,991)	–	–	–
Public offerings issued for cash	25,266	–	–	–	35,558
Convertible loan notes converted into shares	19,105	–	–	–	37,836
Transaction costs incurred in relation to share issuance	–	–	–	–	(2,800)
At end of year	<u>89,204</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>185,500</u>

Prior to its initial public offering and admission of the Company's shares to trading on AIM in 2014, the Company had one class of ordinary "A" shares, which had no par value and carried no right to fixed income, and two classes of preference shares. Holders of class "B" and "C" non-voting preference shares were not entitled to any voting rights and were entitled to liquidation distributions not exceeding S\$2 billion and dividend payments not exceeding S\$100 million. The terms of the class "B" and "C" non-voting preference shares provided that they would convert to class "A" ordinary shares upon an initial public offering of ordinary shares of the Company, a trade sale or change in control of the Company.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

22. SHARE CAPITAL continued

On 20 February 2014, the Company's entire share capital was admitted to trading on AIM, a market of the London Stock Exchange. At the date of admission, the Company's class "B" and "C" non-voting preference shares in the capital of the Company were converted into class "A" ordinary shares. Furthermore, the Company's class "A" ordinary shares were consolidated on the basis of one new ordinary share for 30 class "A" ordinary shares held by such person on admission. After conversion of the convertible loans to shares and the public offering of shares for cash, the Company had a total of 76,704,000 shares issued. All issued shares are fully paid, with no par value.

On 31 October 2014, the Company made an additional placing of 12.5 million shares at 40 pence raising an amount of S\$10,300,000 (£5 million).

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 S\$8,895,000 (£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 S\$5.3 million (£2.5 million), such that following this placement, the Company had a total of 105,068,157 issued shares.

During the year, S\$277,000 of expenses (2014: S\$2,800,000) 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.

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 represents call option fees paid up-front by the call option holders on the options over ordinary "A" shares which have since lapsed.

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.

On 20 February 2014, upon admission of the Company's shares to AIM, the remaining 39,266,000 options over "B" shares, exercisable at prices between S\$0.1553 and S\$0.20 per share, converted to options for class "A" ordinary shares and were then consolidated, in a ratio of 30 to 1, and became options over a total of 1,308,866 ordinary shares at prices between S\$4.659 and S\$6.000 per share. The CSOP was terminated upon admission, without prejudice to the rights conferred by the outstanding options. The outstanding options are fully vested and exercisable. 1,208,866 and 100,000 share options lapsed in June 2014 and June 2015 respectively.

Under the terms of the Company's LTIP approved on 11 December 2013, a total of 4,255,321 options at the initial public offering price were granted to seven of its directors and other members of the Group's senior management team, of which 106,383 have lapsed during the year.

The options outstanding at 31 December 2015 have a weighted average contractual life of 3.14 years (2014: 4.06 years).

No options were exercised in 2014 and 2015.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

25. SHARE OPTIONS continued

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

Group and Company	Number of share options '000	Weighted average exercise price S\$
2015		
Outstanding at the beginning of the year	4,355	1.940
Lapsed during the year	(206)	1.940
Outstanding at the end of the year	4,149	1.940
Exercisable at the end of the year	4,149	1.940

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

Number of options	Expiry on			
4,149,000	20 February 2019			
Group and Company	Ordinary share options		Preference "B" share options	
	Number of share options '000	Weighted average exercise price S\$	Number of share options '000	Weighted average exercise price S\$
2014				
Outstanding at the beginning of the year	–	–	39,266	0.195
Conversion into ordinary shares options	1,309	5.553	(39,266)	0.195
Lapsed during the year	(1,209)	5.748	–	–
Issued during the year	4,255	1.940	–	–
Outstanding at the end of the year	4,355		–	
Exercisable at the end of the year	4,355	1.940	–	

As at 31 December 2014, the number of share options and their expiration dates are as follows:

Number of options	Expiry on
66,667	4 June 2015
33,333	9 June 2015
4,255,000	20 February 2019

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 20 February 2014
Fair value of options on date of grant	S\$0.206
Date of grant	20 February 2014
Share price	0.51
Exercise price	0.51
Expected volatility	56.94%
Expected life	3 years
Risk free rate	2.6%
Expected dividend yield	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 S\$1,831,000 and S\$1,319,000 respectively (2014: S\$938,000 and S\$710,000, respectively), related to equity-settled share-based payment transactions during the year and this is included as part of employee benefits expense.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

26. EARNINGS/(LOSS) PER SHARE

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

	Profit/(loss) after tax		Weighted average number of shares		Earnings/(loss) per share	
	2015 S\$'000	2014 S\$'000	2015 '000	2014 '000	2015 S\$	2014 S\$
Basic and diluted	4,259	(16,195)	95,827	74,455	0.04	(0.22)
					Group	
					2015 '000	2014 S\$'000
Issued ordinary shares at 1 January					89,204	–
Effect of consolidation of shares					–	44,833
Effect of conversion of convertible notes					–	16,481
Effect of shares issued related to business combination					4,454	–
Public offerings and issued for cash					2,169	13,141
Weighted average number of shares at end of the year					95,827	74,455

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.

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

	Group		Company	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Trade receivables	26	–	–	–
Other receivables due from subsidiaries	–	–	–	5,015
Deposits	3,303	176	15	16
Grant receivable	5,050	–	–	–
Value added tax recoverable	2,509	2,275	11	56
Other receivable	614	28	–	–
	11,502	2,479	26	5,087

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 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

31 DECEMBER 2015

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 2014 and 2015 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 S\$'000	Total S\$'000	Contractual cash flows		
				One year or less S\$'000	Two to five years S\$'000	Over five years S\$'000
2015						
Financial liabilities						
Trade and other payables	18	16,987	16,987	16,987	–	–
Bridging loan from non-controlling interests	20	4,448	5,238	5,238	–	–
Loans from a related party	20	7,953	11,752	–	–	11,752
Long term loan	20	7,866	11,638	–	11,638	–
Secured long term loans	20	20,660	38,872	–	8,691	30,181
		<u>57,914</u>	<u>84,487</u>	<u>22,225</u>	<u>20,329</u>	<u>41,933</u>
2014						
Financial liabilities						
Trade and other payables	18	14,086	14,086	14,086	–	–
Loans from a related party	20	7,376	11,544	–	–	11,544
Long term loan	20	7,293	11,432	–	–	11,432
Secured long term loans	20	6,706	10,630	–	7,540	3,090
		<u>35,461</u>	<u>47,692</u>	<u>14,086</u>	<u>7,540</u>	<u>26,066</u>
Company						
2015						
Financial liabilities						
Trade and other payables	18	3,533	3,533	3,533	–	–
Financial guarantees	20	437	12,542	12,542	–	–
Loan from a subsidiary	20	690	690	–	–	690
		<u>4,660</u>	<u>16,765</u>	<u>16,075</u>	<u>–</u>	<u>690</u>
2014						
Financial liabilities						
Trade and other payables	18	4,185	4,185	4,185	–	–
Financial guarantees	20	494	8,256	8,256	–	–
Loan from a subsidiary	20	650	844	–	–	844
		<u>5,329</u>	<u>13,285</u>	<u>12,441</u>	<u>–</u>	<u>844</u>

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

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

(c) Market risk

Currency risk

The Group transacts business in various foreign currencies, including the Australian dollar, United States dollar, British pounds and Euros, 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Australian dollars	27	179	72	11	30	179	18	5,047
British pounds	1,118	1,062	197	61	534	980	25,246	37,994
Euros	–	142	124	41	–	–	2	206
United States dollars	1,114	823	4	5	4	823	6	2,429
Canadian dollars	–	–	1,902	–	–	–	1,902	–

Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk to key management personnel 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:

	Australian dollars		British pounds		Euros		United States dollars		Canadian dollars	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Group										
Equity	–	–	–	–	–	–	–	–	190	–
Profit or (loss)	5	(17)	(92)	(100)	12	(10)	(111)	(82)	–	–
Company										
Profit or (loss)	(1)	487	2,471	3,701	–	21	–	161	190	–

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) (2014: 100bps) in interest rate with all other variables held constant would increase/decrease profit/loss before tax by S\$7,000 (2014: S\$54,000).

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 S\$151,885,000 (2014: S\$110,778,000) and S\$80,347,000 (2014: S\$68,402,000), 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

31 DECEMBER 2015

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.

Group	Note	2015		2014	
		Carrying Value S\$'000	Fair Value S\$'000	Carrying Value S\$'000	Fair Value S\$'000
Financial liabilities					
Secured long term loans	20	<u>20,660</u>	<u>27,126</u>	<u>6,706</u>	<u>8,188</u>
Company					
Financial liabilities					
Loan from a subsidiary	20	<u>690</u>	<u>700</u>	<u>650</u>	<u>427</u>

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 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
2015				
Financial liabilities				
Secured bridging loan from non-controlling interest	–	–	4,448	4,448
Loans from a related party	–	–	7,953	7,953
Long term loan	–	–	7,866	7,866
Secured long term loans	–	–	27,126	27,126
	<u>–</u>	<u>–</u>	<u>47,393</u>	<u>47,393</u>
2014				
Financial liabilities				
Loans from a related party	–	–	7,376	7,376
Long term loan	–	–	7,293	7,293
Secured long term loans	–	–	8,188	8,188
	<u>–</u>	<u>–</u>	<u>22,857</u>	<u>22,857</u>
Company				
2015				
Financial liabilities				
Financial guarantees	–	–	437	437
Loan from a subsidiary	–	–	700	700
	<u>–</u>	<u>–</u>	<u>1,137</u>	<u>1,137</u>
2014				
Financial assets				
Loans to subsidiaries	–	–	1,789	1,789
Financial liabilities				
Financial guarantees	–	–	494	494
Loan from a subsidiary	–	–	427	427
	<u>–</u>	<u>–</u>	<u>921</u>	<u>921</u>

There were no transfers between levels in 2014 and 2015.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

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

(d) Accounting classifications and fair values continued

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

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	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Interest income from a joint venture				
– Atlantis Operations (Canada) Limited	54	–	54	–
Interest income from a subsidiary				
– MeyGen Limited	–	–	110	112
Service fee income from a joint venture				
– Atlantis Operations (Canada) Limited	37	–	–	–
Service fee income from a subsidiary				
– Atlantis Operations (UK) Limited	–	–	1,686	1,829
Service fee expense charged by a subsidiary				
– ARC Operations Pty Limited	–	–	13	244
Interest expense arising from related party				
– Morgan Stanley Capital Group Inc.	–	804	–	–
Interest expense arising from a subsidiary				
– Atlantis Resources (Scotland) Limited	–	–	32	12

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

28. RELATED COMPANY AND RELATED PARTY TRANSACTIONS continued

	Group and Company	
	2015 S\$'000	2014 S\$'000
Interest expense arising from shareholders' loans		
– James Mcknoulty Family Trust	–	84
– EDB Investments Pte Ltd	–	137
– Austower Pty Ltd	–	41
	<u>–</u>	<u>262</u>

Compensation of directors and key management personnel

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

	Group	
	2015 S\$'000	2014 S\$'000
Short-term benefits	1,262	1,523
Defined contribution benefits	187	83
Share based payments	1,303	938
	<u>2,752</u>	<u>2,544</u>

29. OPERATING LEASE

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	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
Within one year	796	905	47	94
Between two to five years	2,809	1,781	–	5
More than five years	9,728	8,516	–	–
	<u>13,333</u>	<u>11,202</u>	<u>47</u>	<u>99</u>

The Group has various lease agreements for rental of land, seabed, offices and office equipment. The seabed lease 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

In 2015, the Group had entered into contracts to construct a tidal power plant for S\$86.7 million of which S\$58.3 million (2014: S\$17.8 million) had been incurred as at the reporting date. At 31 December 2015, the Group had outstanding commitments under contracts for design and subcontractors works for S\$4.7 million (2014: S\$2.1 million).

31. CONTINGENT LIABILITIES

The Company has guaranteed credit facilities of S\$13,585,000 (£6.5 million) (2014: S\$8,256,000 (£4 million)) granted to subsidiaries. At 31 December 2015, the amount has been fully utilised. In 2014, S\$4,128,000 (£2.0 million) was utilised.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2015, the significant events of the Group are as follows:

- (a) On 17 December 2015, Atlantis, via its Scottish project development vehicle, TPSL, entered into conditional asset purchase agreements with SPR, under which Atlantis will acquire SPR's portfolio of tidal projects in exchange for a 6% shareholding in TPSL for SPR. The SPR tidal power portfolio 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 at Scotland's north eastern tip. The project assets include agreements for lease with The Crown Estate for both sites, and the Sound of Islay site also has a grid connection offer and construction consents from the Scottish Ministers. The Sound of Islay project has been awarded €20.7 million of grant funding from the European Commission's NER300 fund by way of capital and revenue support for its Scottish tidal development company. The transaction was completed on 6 May 2016.

The consideration payable for the projects, which the Company values at £6.6 million, is 3,859,703 shares in TPSL, which equates to 6% of the issued share capital. Atlantis retains the remaining 94% of TPSL.

- (b) On 1 April 2016, Atlantis entered into an agreement with Equitix, a market leading developer, investor and fund manager of infrastructure assets, to advance Atlantis's portfolio of tidal power projects in Scotland. Under the agreement, Equitix, through its managed funds, intends to acquire at least 25% of each Atlantis Scottish project vehicle at financial close of that project.
- (c) On 11 April 2016, DEME, an investor in marine energy projects, agreed to pay Atlantis £2 million in cash consideration for a 2% stake in TPSL and a right to contribute equity funding to the Sound of Islay project, subject to satisfaction of certain conditions precedent (including procurement of third party consents and agreement with DEME of commercial arrangements in relation to offshore construction works). Atlantis is currently working to satisfy these conditions.
- (d) On 20 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.
- (e) On 21 April 2016, the Company entered into a memorandum of understanding with SBS Intl Ltd ("SBS"), a privately owned international marine, subsea and renewable energy developer which has been studying the potential of ocean energy resources for tidal-stream devices around the Indonesian archipelago since 2013. Under this agreement, Atlantis and SBS will work together to establish a joint venture to develop a 150MW tidal stream site in Indonesia. The total cost of this commercial array has been estimated at US\$750 million and will be constructed over a number of stages. SBS has completed a feasibility study and the project will be supported by a 25-year power purchase agreement with the state-owned electricity company, Perusahaan Listrik Negara.
- (f) With effect from 20 June 2016, the registered office will be at 80 Raffles Place, Level 36, Singapore 048624.

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

33. SEGMENT INFORMATION

(a) Operating segments

The Group is principally engaged in the development of power generation projects, as well as turbine and engineering services, which are its reportable segments in 2015. 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. These two divisions are managed separately because they require different expertise and marketing strategies. In 2014, the assets, liabilities and capital expenditure of the Group were mainly employed in activities supporting the development of the tidal current power projects, being the main reportable segment within the Group.

The Board of directors, who are the 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 two divisions.

Other operations include the provision of corporate services which does not meet any of the quantitative thresholds for determining reportable segments in 2015 and 2014.

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 S\$'000	Turbine and engineering services S\$'000	Total S\$'000
External revenues	–	2,889	2,889
Inter-segment revenue	–	4,526	4,526
Interest revenue	–	183	183
Interest expense	–	(1,283)	(1,283)
Depreciation and amortisation	–	(1,451)	(1,451)
Reportable segment profit/(loss) before tax	565	(8,004)	(7,439)
Other material non-cash items:			
-Impairment losses on property, plant and equipment	–	(3,951)	(3,951)
Reportable segment assets	111,443	39,260	150,703
Capital expenditure	41,706	2,518	44,224
Reportable segment liabilities	52,345	47,151	99,496

NOTES TO FINANCIAL STATEMENTS continued

31 DECEMBER 2015

33. SEGMENT INFORMATION continued

(a) Operating segments continued

	2015 S\$'000
Revenues	
Revenue for reportable segments	7,415
Elimination of inter-segment revenue	(4,526)
Consolidated revenue	<u>2,889</u>
Profit or loss	
Total loss for reportable segments	(7,439)
Elimination of inter-segment profits	(27)
Unallocated amounts	
- newly acquired ⁽¹⁾	17,743
- others	(5,915)
Share of loss of equity-accounted investees	(103)
Consolidated profit before tax	<u>4,259</u>
Assets	
Total assets for reportable segments	150,703
Elimination of inter-segment assets	(260)
Investments in equity-accounted investees	2,345
Other unallocated amounts	
- newly acquired ⁽¹⁾	34,404
- others	4,435
Consolidated total assets	<u>191,627</u>
Liabilities	
Total liabilities for reportable segments	99,496
Elimination of inter-segment liabilities	(4,385)
Other unallocated amounts	
- newly acquired ⁽¹⁾	3,757
- others	(27,957)
Consolidated total liabilities	<u>70,911</u>

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

Other material items

	Reportable segment S\$'000	Adjustments S\$'000	Consolidated totals S\$'000
Interest revenue	183	(129)	54
Interest expense	(1,283)	(7)	(1,290)
Capital expenditure	44,224	273	44,497
Other gains	6,099	21,814	27,913
Depreciation and amortisation	1,451	1,850	3,301
Impairment losses on intangible assets	3,951	-	3,951

(b) Geographical segments

Total segment revenue for Group is S\$2,889,000 (2014: S\$5,279,000). 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

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Ian George Cobban
John Anthony Clifford Woodley
Duncan Stuart Black

Executive Directors

Timothy James Cornelius

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