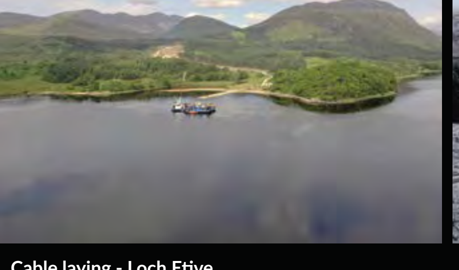
ANNUAL REPORT 2020

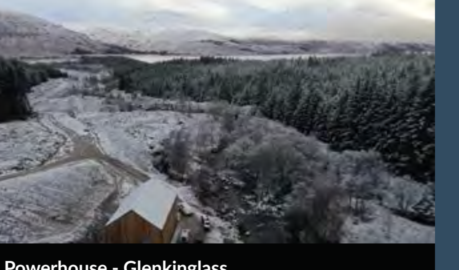
SIMEC ATLANTIS ENERGY

CONTENTS

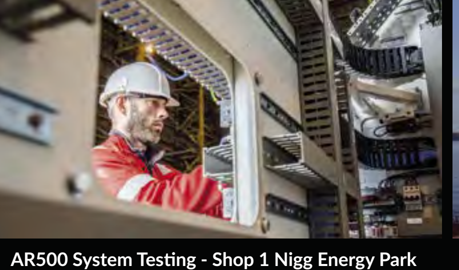
	PAGE
About Us	1
Highlights	2
Chairman's Statement	4
Chief Executive Officer's Statement	6
Board of Directors	8
Directors' Report	10
Corporate Governance Report	13
Audit Committee Report	21
Directors' Remuneration Report	24
Directors' Responsibility Statement	29
Independent Auditors' Report to the Members	31
Financial Statements	35
Notes to the Financial Statements	40
Company Information	85

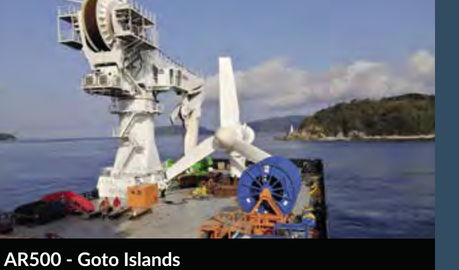

Uskmouth power station


Cable laying - Loch Etive

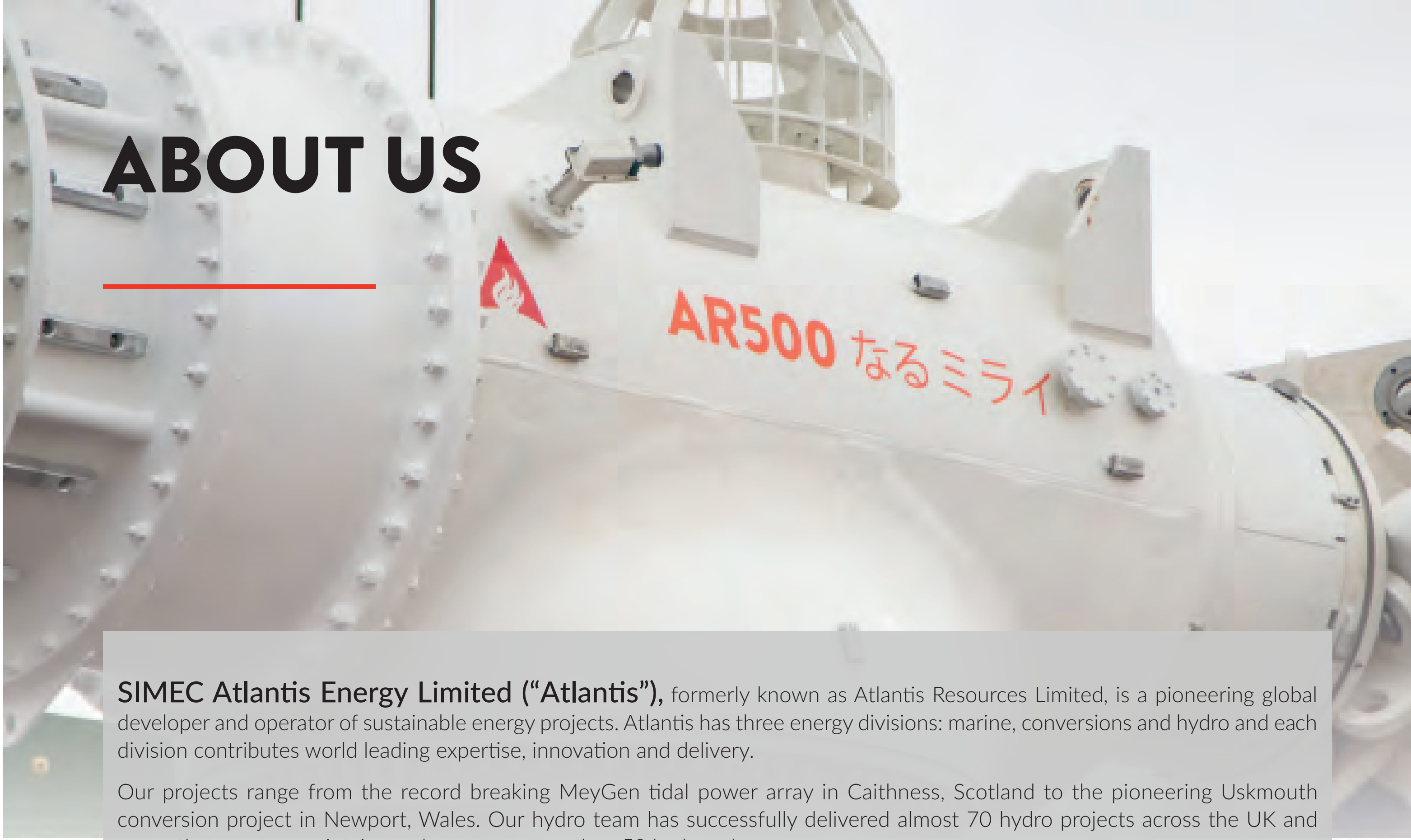

Powerhouse - Glenkinglass


Safety Briefing - Shop 1 Nigg Energy Park


AR500 System Testing - Shop 1 Nigg Energy Park


AR500 - Goto Islands

ABOUT US



SIMEC Atlantis Energy Limited ("Atlantis"), formerly known as Atlantis Resources Limited, is a pioneering global developer and operator of sustainable energy projects. Atlantis has three energy divisions: marine, conversions and hydro and each division contributes world leading expertise, innovation and delivery.

Our projects range from the record breaking MeyGen tidal power array in Caithness, Scotland to the pioneering Uskmouth conversion project in Newport, Wales. Our hydro team has successfully delivered almost 70 hydro projects across the UK and currently operates, maintains and manages more than 50 hydro schemes.

With a growing focus on the role tidal energy can play and the benefits it brings, the industry has a keen interest to see what structure and timeline the next Contract for Difference arrangements will have when the Government announces them in summer 2021. Atlantis remains poised to take advantage of the proper targeted support for tidal with the MeyGen project holding the necessary consents to deliver a major increase in capacity. The Uskmouth conversion project has the potential to profoundly impact the way end-of-life waste is treated. Following the success of proving the fuel in 2020, the last six months has been focussed on delivering a planning and permitting solution that allows the commercial milestones to be completed. There remains strong global interest in seeing Uskmouth as the prototype for further coal fired power station conversions.

Atlantis continues to develop opportunities to establish private wire power supply with owners and operators of data centres and create interest in a UK network of hyperscale data centres that utilise sustainable energy and deliver robust connectivity to underserved regions within the UK.

GRAHAM REID, CHIEF EXECUTIVE OF ATLANTIS, COMMENTED:

"As we look towards Glasgow at the end of 2021 and the proposed COP26 conference, the focus and drive to achieve net zero has never been greater. Atlantis finds itself at the heart of this equation with expertise in hydro, tidal and conversion technologies. This represents a spectrum of skills that delivers in both the transitional, sustainable energy phase (away from fossil fuels) to the long-term future of truly renewable technologies. We are proud to play our part in this innovative journey."

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- The MeyGen project generated revenues of £3.2 million from the sales of power and Renewables Obligations Certificates
- GHR's hydro, O&M and project management divisions contributed £2.6m revenue
- ATES division contributed £6.5m of revenue from project development and installation of the tidal turbine in Japan
- Overall Group losses for the year were £19.7 million (2019: £35.4 million). The decreased loss is due to the revenue generated by the ATES division along with full year results of GHR being included in Group results since acquisition in October 2019. The 2019 loss was driven by the loss of £16.1 million non-cash disposal of seabed options for five development sites.
- Group total equity at 31 December 2020 of £81.8 million (2019: £94.0 million).
- In February 2020, Atlantis raised over £3.8 million, before expenses, through the Abundance ethical investment platform to further the successful delivery of the SUP conversion.
- On 6 August 2020, the Company announced a placing which raised gross proceeds of £6.5m through the issue of 54,166,666 new ordinary shares at 12 pence per share and a further £1 million through the issue of 8,333,333 new ordinary shares at 12 pence per share. In aggregate, the fundraising raised gross proceeds of £7.5 million and resulted in the issue of 62,499,999 new capital and an intended investment in a new fuel production joint venture.
- On 16 December 2020, Atlantis announced a share placing agreement with New Technology Capital Group LLC, a US based investor in relation to the issuance of new ordinary shares in the Company to raise up to £12.0m. An initial investment of £2m was made during 2020, with a further tranche of £2m received in Q1 2021. The proceeds derived from the Agreement are intended to be used to allow Atlantis to take advantage of investment opportunities arising over the course of the next year, across the Company's tidal energy, waste to energy, hydro and sustainable infrastructure project portfolio. Further details of the agreement are available at www.simecatlantis.com

OPERATIONAL HIGHLIGHTS

- 2020 saw Phase 1 of the Group's flagship MeyGen tidal energy project continue to break records, it has now delivered over 37GWh of clean and predictable electricity to the grid.
- GHR substantially completed 3 further hydro schemes on behalf of its clients. Construction continued during most of 2020 despite the restrictions placed on constructions sites. Sites under Operations and Maintenance agreements generated throughout the pandemic and delivered high levels of availability.
- In 2020 Atlantis announced it had opened an office in Nagasaki Japan as a base for the Group's newest entity Atlantis Operations Japan ("AOJ"). The Nagasaki office is the base for managing the construction works for the Group's utility client, KME. The Scottish made tidal generation equipment arrived in Japan in December 2020 and was successfully commissioned in February 2021.
- In March 2020, the MeyGen project was awarded £1.5 million in grant funding from the Scottish Government's Saltire Tidal Energy Challenge Fund to develop a subsea tidal turbine connection hub for the next phase of development of the MeyGen tidal power array. The subsea hub was successfully installed in September 2020 and its deployment is a key part of the overall cost reduction strategy for tidal power generation.
- In March 2020, Atlantis announced the successful production of 100 tonnes of fuel pellets for large scale combustion testing and successful completion of large-scale milling tests on the 100% waste derived fuel pellets to be used at the Uskmouth power station post conversion.
- In June 2020, Atlantis announced the successful completion of the combustion testing as a significant milestone for the project. The test conclusively proves that a pulverised fuel burner based on MHPS's DS® Ultra Low NOx burner can be used to stably combust the waste derived fuel unsupported (i.e. without any oil or gas support firing). The burner was able to operate continuously at 25MW thermal power using the fuel and is comparable in rating to the burners required for the Uskmouth conversion project.

- In June 2020 Atlantis announced that the local prefecture had approved the transfer of the rights to a tidal project site in the Raz Blanchard from original developer ENGIE to Normandie Hydroliennes. This continues the progression of this project which ultimately aims to connect four turbines via a sub-sea hub and further reduce the long-term cost of energy.
- In December 2020, Atlantis signed a joint venture agreement in relation to NPA Fuels Limited ("NPA") with N&P Holdings 2 Ltd, a wholly owned subsidiary of the Dutch recycling specialists, the N+P Group. NPA will principally be involved in the marketing, production and delivery of waste derived fuel pellets to converted coalfired power stations through the UK, and in particular the Uskmouth project.

POST YEAR END HIGHLIGHTS

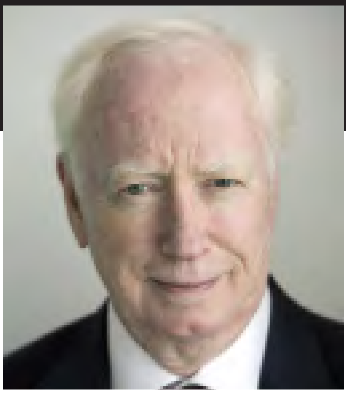
Tidal Stream Highlights
In February 2021 we announced that our Scottish built tidal turbine and generation equipment was successfully installed projects in the Goto Island chain in Japan. The tidal turbine clocked its first 10 MWh of generation within the first ten days of operation and continues producing clean electricity in Japan. We are discussing with our partners in Japan the likely next stages in the development of this project.

Uskmouth Power
The Welsh Government announced the 'call-in' of the planning application for the construction of new silos, conveyors, and rail upgrade for handling the new fuel external to the existing Uskmouth power station. The Company has submitted its Statement of Case in support of the planning application. Work continues with Natural Resources Wales on the permit application.

GHR
The penultimate hydro schemes were commissioned for clients and were connected to the grid well within the Feed In Tariff deadlines. Work is well underway on the remaining hydro construction projects and the Operations and Maintenance business further grows the portfolio under management.

Corporate
On 18th May 2021, receivers were appointed over the shares of the Company's major shareholder, SIMEC UK Energy Holdings Ltd ("SUEH"). At the date of the publication of these results, the Company is in productive discussions with the receivers of SUEH and continues to focus on its tidal, Uskmouth and hydro projects with vigour and intent.

CHAIRMAN'S STATEMENT



Chairman

John Neill

Whereas 2020 was a year that delivered economic shocks as a result of society coming to terms with the restrictions that Coronavirus imposed on us all, 2021 has provided an opportunity to demonstrate the tenacity and ingenuity of which humanity is capable. The re-engagement of the United States in the Paris Accord and the increased consciousness of consumers has focussed the minds of global organisations on taking a leading position in sustainable solutions to prevent themselves facing major challenges in their business. This increased prioritisation of green and digital technologies plays to the strengths of SAE and the expectation is that continued government support for these developing technologies will become clearer during the year ahead.

Over the last 12 months, we sought to further consolidate our position in the renewable and sustainable energy generation sector; delivering clean electricity from the MeyGen array, installing a fully operational tidal turbine in Japan's coastal waters, moving closer to financial close on the Uskmouth conversion project and building out our client's portfolio of hydro assets.

MeyGen's generation experienced some interruptions during 2020 but the efficiency of turbine recovery and re-deployment in such a hostile environment gave further confidence in being able to reduce the long-term cost of generating energy from tidal sources. MeyGen has now produced over 37 GWh of electricity, equivalent to the annual consumption of some 12,000 UK households. Demonstrating the Group's ability to deploy our turbine technology far from home, February 2021 saw the commissioning of a pilot turbine located in the straits of Naru Island, within the southern Japanese Goto island chain. Working at our operations and maintenance base at Nigg Energy Park in Scotland, the turbine was assembled and tested in nine weeks before shipping to Japan. This whole exercise was delivered under the further strictures of COVID-19 – a testament to the dedication and professionalism of the broader SAE team – including industrial partners and stakeholders.

The Uskmouth power station conversion project, commenced in 2018, has continued to complete significant milestones in its development. In July 2020 we announced that we would deliver the development in two phases with the total net output remaining at 220MW. Detailed EPC contractual discussions are in the final stages and discussions on the provision of energy via a private wire network has been developed in parallel. More recently the announcement of the Group's part in the South Wales Industrial Cluster (SWIC), which has been awarded £20m funding from Innovate UK to initiate work to decarbonise the region with a focus on industry and power, highlights the key role the repurposed Uskmouth Project can play in the journey to net zero. The Group will, as a partner of SWIC, carry out feasibility work on carbon capture usage and storage from the repurposed power station. Despite planning permission for the construction of new silos, conveyors, and rail upgrade for handling the new fuel external to the existing Uskmouth power station being called in by the Welsh Government, the Group remains fully committed to the project and is confident the project complies with all relevant Government policies and legislation.

Following its acquisition in 2019, Green Highland Renewables ("GHR") has continued to construct hydro assets for clients throughout 2020 and 2021. Despite some early COVID 19 restriction, work continued on sites throughout 2020 and the first of the new schemes were commissioned in Q1 2021. The long-term income from Operations and Maintenance and Managed Service Contracts for a portfolio of hydroelectric assets continues to grow and provides valuable cash flows.

2020 and early 2021 saw two material senior personnel changes; Ian Wakelin, Non-executive Director and Chair of the Audit Committee, resigned in July 2020 having accepted the role of Chairman of Viridor Group, and was replaced by Duncan Black in November 2020. I would like to place on record my appreciation for Ian's service, contributions, and leadership over the past two years. Duncan brings a wealth of experience and has previously held the position of CFO of Atlantis, and as a Non-executive Director of the Board until 2018. Duncan's deep understanding of the Company and his contacts in, and knowledge of, the Asian power and infrastructure markets provide invaluable challenge and context that will, in turn allow Atlantis to pursue expansion opportunities presented by our project partners in Japan and South Korea.

CHAIRMAN'S STATEMENT

In January 2021, after leading the Group for 15 years, Tim Cornelius resigned to take up the role of Group Chief Executive with the Global Energy Group and we welcomed Graham Reid as our new Chief Executive. Graham is an experienced and highly capable CEO, leader and engineer and we are benefitting from his considerable project management and delivery experience to steer Atlantis through the delivery phase of the Uskmouth Power Station conversion project, the build out of fuel production plants, the expansion of the MeyGen project and the development of further hydro asset opportunities.

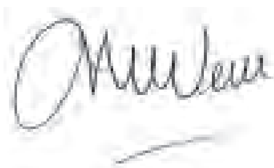
The 2020 results illustrate the continued investments in the development activities of the Group – notably the Uskmouth project as it navigates through the final stages ahead of financial close. The materially increased revenues from the tidal division, mainly as a result of the Japanese project, demonstrate the potential in this sector alongside the continuing generation from MeyGen and a full year's contribution from GHR. Expenses are greater than 2019, as a result of the Japanese project, but 2020 has not suffered any of the write downs that we accounted for in 2019, thus significantly reducing the loss in 2020 when compared with the previous year.

As I noted last year, the initial challenge of Coronavirus was met with a measured and calm response; the later resurgence was similarly countered with key projects being developed with vigour and resolve and innovative solutions utilised – most notably in the delivery of the turbine to Japan at the start of 2021 against the background of international lockdowns and limitations.

SAE does not stand in isolation when capitalising on the opportunities that we search out; I would pay tribute to all our stakeholders, executive team and our employees for their commitment, effort and dedication during such challenging times and for their continuing commitment and support which will be instrumental in enabling SAE to meet the corporate goals that will deliver sustainable growth and value for all.

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting will be announced in due course. Details of the resolutions to be proposed will be set out in a separate Notice of Annual General Meeting, which accompanies this report for shareholders receiving hard copy documents, and which will be available at www.simecatlantis.com for those who have elected to receive documents electronically.



John Neill
Chairman

29 June 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

Chief Executive Officer

Graham Reid

I was extremely proud to have been appointed CEO of SAE in January of this year. Joining SAE in the middle of a pandemic has been both challenging and very exciting; on the one hand it has allowed me to spend time fully understanding the various parts of the business whilst on the other it's been disappointing not being able to engage face-to-face with the internal team and the immensely valued stakeholders and partners. However, I am hugely impressed by the dedication, professionalism, and delivery of the whole team. In the year that the UK is scheduled to host COP26, the opportunities presented by the technologies in which SAE plays such a leading role are substantial.

MeyGen, the flagship of our marine energy division, continues to break world records and has now exported over 37 GWh of electricity to the grid. What is as exciting is that the next round of the Contract for Difference regime is expected to be announced later this summer. This could present SAE with the opportunity to develop MeyGen phase 2 – utilising the consents, grid connections and licences that are already in place taking the existing capacity to 86 MW. Our confidence in being able to deliver such a project has been further bolstered by the success of the AR500 tidal turbine that was commissioned in Japan early in 2021 and, which, by the start of May, had already clocked up 10MWh of generation and has met the stringent acceptance standards of the Japanese Ministry of Economy, Trade and Industry. The final piece in the tidal jigsaw is the continuing work via our Normandie Hydrolienne joint venture on the Raz Blanchard project which will utilise the experience from MeyGen and Japan to connect four turbines via a subsea hub – this is fundamental to continued progress in reducing the levelised cost of energy for tidal deployments.

The Uskmouth Power Station Conversion Project demonstrates some of the challenges involved in pioneering projects. Converting the power station to run on a sustainable, lower carbon fuel benefits both the local area and the country as a whole. Our current work on planning and permitting will not only breath life back into the Uskmouth Power Station but will provide a transitional roadmap for countless other coal-fired power stations around the globe – a journey in which SAE hopes to play a pivotal role, utilising the experience gained at Uskmouth.

The Chairman has noted in his report the feasibility work on carbon capture and storage that SAE has been awarded funding for – I am pleased to report that work on this has already started. Success in this area would move the Uskmouth Power Station project into the territory of negative CO2 emissions as well as creating new, sustainable, and high value industries and jobs for the region.

SAE's positive and meaningful impact on local economies is further demonstrated in the projects being commissioned by the Green Highland Renewables ("GHR") business acquired in 2019. The GHR team are commissioning three run-of-river hydro schemes in the Scottish Highlands – during the construction phase these projects generated significant value in the local economy and, when operational, will create annual value for the local communities for future generations whilst at the same time contributing to the move towards a sustainable and renewable energy model for the UK.

I am proud to have been entrusted with the leadership of the SAE team, whose dedicated engineers, project managers, operations and administrative support staff have proved their mettle in challenging circumstances. The future holds more challenges and huge opportunities, and we will need to adapt and improve to take advantage of them and create value for all stakeholders. I am enthused by the prospect of the next 12 months and beyond and am convinced that SAE will be at the vanguard of meaningful, commercial development in each of our chosen technologies and market segments.

2020 PERFORMANCE

The Group recorded a loss after tax of £19.7 million for the year ended 31 December 2020, compared with a £35.4 million loss in the prior year. The reduction in this loss is driven by two main elements; 2019 saw a non-cash charge to the P&L of £16.1 million because of the impairment of seabed options for five development sites – this was not repeated in 2020. The second key element was the increased revenue from the tidal project in Japan which generated £6.5 million of additional revenue in 2020.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Group revenue increased by 152% to £12.2 million for the year (2019 - £ 4.9 million) with an increase of £6.5 million from contract revenues from our Atlantis Turbines and Engineering Services Division ("ATES") for works completed in Japan on the KME contract. Power sales from the MeyGen tidal power project were £2.5 million (2019 £4.2 million) due to turbine outages and £2.5 million (2019 £0.5 million) from a full year of performance from the GHR's hydro division O&M and project management contract revenue.

Total Expenses for the year were £29.0 million (2019: £26.1 million). The main elements of the increase of £2.6 million relate to the increase in sub-contractor costs of £3.9 million (mainly driven by the ATES Japanese project and a full year of GHR costs) partially offset by there being no acquisitions costs in 2020 (2019 saw £1.3 million GHR acquisition costs). The other adjustments that impact on the dramatic improvement of results from operating activities was the lack of any adjustment for the non-cash seabed options write off in 2019 (£16.1 million), partially offset by there being no Gain on bargain purchase for GHR (2019 £2.9 million).

The Group's closing net asset balance was £81.8 million (2019: £94 million), with the decrease largely reflective of the trading performance in the year.

In January 2020, Atlantis raised £3.8m via a bond issued on the Abundance ethical investment platform. The bond has a coupon of 8% p.a., payable semi-annually and maturing in 2024. The proceeds continue to be deployed to further the successful delivery of our world leading portfolio of renewable and sustainable energy projects. In August 2020, SAE raised approximately £7.5 million through a placing and PrimaryBid share sale which resulted in 62,499,999 new Ordinary shares being issued. In December 2020, SAE announced that it had entered into a share placement agreement with New Technology Capital Group, LLC, a U.S.-based investor, in relation to the issuance of new ordinary shares to raise up to £12,000,000. As at the date of the issue of these accounts £4,000,000 has been raised under this arrangement.

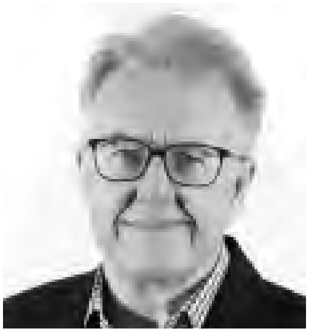
Graham Reid
Chief Executive Officer

29 June 2021

BOARD OF DIRECTORS

JOHN MITCHELL NEILL CBE, Non-Executive Chairman

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

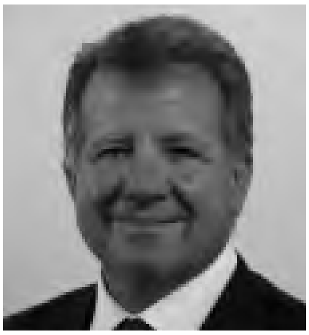


GRAHAM MATTHEW REID, Chief Executive Officer

Graham Reid became Chief Executive Officer and a member of the Board of Directors on 18 January 2021. Graham is an experienced and highly capable CEO, leader and engineer with extensive international experience in the energy and infrastructure space. Graham was most recently CEO of RES Americas, and prior to that CEO of Arcadis Middle East, a member of Network Rail's project delivery board for the London bridge station project and earlier in his career was the UK Managing Director and an Executive Board member of Hyder Consulting plc. Having delivered more than 5GW of wind, solar and storage projects in previous roles, Mr Reid has been selected by the Board of Directors to build on the successful development history of the Company

ANDREW LUKE DAGLEY, Executive Director – Corporate Finance

Andrew Dagley joined the Company in early 2014 from IFM Investors, one of the largest fund managers of infrastructure globally, having previously worked with a range of superannuation infrastructure investors, renewable energy project developers and Flinders Corporate Finance, a boutique investment bank. Andrew is dedicated to Corporate Finance aspects of the Group. Andrew has over 15 years of experience in infrastructure investment with an emphasis on renewable energy, having worked on a range of renewable and sustainable energy projects across Asia Pacific and the UK. He has a Bachelor of Commerce (Hons) Finance from the University of Melbourne.



MARK EDWARD MONCKTON ELBORNE, Non-Executive Director

Mark Elborne was President and Chief Executive Officer at GE UK and Ireland, General Electric Company, from 2009 until his retirement in 2018. Mark's key focus was leading GE's businesses in the energy, aviation, oil and gas and healthcare sectors. Mark joined GE in 2004 as Executive Vice President and General Counsel of GE Insurance Solutions. From 2006 to 2009, he was General Counsel and Head of Regulatory in EMEA. Mark was a partner at CMS Cameron McKenna (now CMS Cameron McKenna Nabarro Olswang LLP) from 1988 to 2004. He qualified as a solicitor in 1983 after gaining a degree in History and Politics from the University of Exeter, and was admitted to the Missouri Bar in 2004. Mark is a Director and Chairman of the Board at GE Pension Trustees Limited and at GEAPS Pension Trust Limited. Mark is a nominated Board representative of the Company's major shareholder, SIMEC, and joined the Board on 15 June 2018.

BOARD OF DIRECTORS

GEORGE JAY HAMBRO, Non-Executive Director

Jay Hambro is currently Chief Investment Officer of the GFG Alliance and heads the Aluminium, Mining and Energy businesses. Jay leads the GFG Alliance's global investment and development programme and sits on the GFG ExCo. After graduating in business management, Jay worked in resource finance with NM Rothschild & Sons, HSBC, and latterly with Petropavlovsk plc group. In 2016, he assumed the position at the GFG Alliance. Jay has held a number of other board positions both within the GFG Alliance and externally. He is a Fellow of the Institute of Material, Mining and Metallurgy and a Liveryman of the Worshipful Company of Goldsmiths. Jay is a nominated Board representative of the Company's major shareholder, SIMEC, and joined the Board on 15 June 2018.

JOHN ANTHONY CLIFFORD WOODLEY, Non-Executive Director

John Woodley joined the Board on 22 September 2008. He was at that time 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, having worked as a power plant operator and then as an industrial marketing engineer for electric utilities. 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 acted as a senior adviser to Morgan Stanley until Q1 2021. John has a BSc Eng (Elec) from Wits University, Johannesburg, an MBA from Valdosta State University and an MS in Finance from Georgia State University.

DUNCAN STUART BLACK, Non-Executive Director

Duncan re-joined the Board in October 2020 having previously served as the Chief Financial Officer and an Executive Director of the Company from 2012-2015, and subsequently as a Non-Executive Director. He has been based in Asia for over 20 years working in the power and infrastructure sectors as a project developer, CFO, investment banker and fund manager. Duncan's previous roles have included Co-Head of Infrastructure Investment at Eastspring Investments (part of Prudential plc), Asia Head of Acquisitions at Deutsche Asset Management's infrastructure funds management business, and CFO of CLP Holdings' Australian electricity and gas utility business, now EnergyAustralia. Duncan is currently engaged in developing wind and solar power projects in Asia. Duncan has a BEng (Hons) in Civil Engineering and a PhD in Fluid Dynamics, each from Imperial College, London.

TIMOTHY JAMES CORNELIUS, Chief Executive Officer until 18 January 2021.

Timothy Cornelius became Chief Executive Officer of the Company in 2006 and joined the Board on 11 December 2013. On 18 January 2021, Timothy resigned as CEO and Director and has been appointed as Senior Advisor to the Group. Prior to joining the Company, Timothy worked in the subsea, offshore construction and oil and gas sectors with Submarine Escape and Rescue Service (Australia), Subsea Offshore, Halliburton Subsea and Subsea 7. He remains a certified submersible engineer and subsea ROV pilot and has experience in the power generation and shipping sectors. Timothy has a BSc in Marine Biology from Flinders University and an MBA from Bond University.

IAN RAYMOND WAKELIN, Former Non-Executive Director

Ian Wakelin joined the Board on 22 January 2019 and left the Board on 15 October 2020 having accepted the role of Chairman of Viridor Group, a British waste company. Ian was previously Chief Executive Officer of Biffa plc, one of the UK's largest waste management businesses, and led the IPO of the business in 2016.

DIRECTORS' REPORT

The Directors are pleased to present their report and the consolidated audited financial statements of the Company and the Group for the year ended 31 December 2020.

CORPORATE GOVERNANCE

The corporate governance statement on pages 13 to 20 forms part of the Directors' report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Atlantis Group is a global developer of renewable and sustainable energy projects. The Group holds equity positions in a diverse portfolio of power projects in various stages of development which includes the world's flagship tidal stream project, MeyGen, the Uskmouth power station that is being converted to use waste derived fuel pellets and GHR, the operator and developer of hydroelectric assets throughout Scotland. Further information on the Group's activities is contained in the Chief Executive Officer's Statement on pages 6 to 7.

A review of the business during the year is contained in the Chairman's Statement and Chief Executive Officer's Statement on pages 4 to 7.

DIRECTORS

The Directors who served in office during the year ended 31 December 2020 were as follows:

John Neill – *Independent Non-Executive Chairman*
Timothy Cornelius – *Chief Executive Officer – resigned with effect from 18 January 2021*
John Woodley – *Non-Executive Director*
Andrew Dagley – *Executive Director*
Mark Elborne – *Non-Executive Director*
Jay Hambro – *Non-Executive Director*
Ian Wakelin – *Independent Non-Executive Director – resigned with effect from 14 October 2020*
Duncan Black – *Independent Non-Executive Director – appointed 14 October 2020*

Their biographies are shown on pages 8 to 9.

On 18 January 2021, Timothy Cornelius resigned as Chief Executive Officer and Director and was replaced by Graham Reid.

Further detail of the Board changes can be found in the Corporate Governance Report on pages 13 to 20.

DIRECTORS' REMUNERATION

The report on Directors' remuneration is set out on pages 24 to 28.

DIRECTORS' INTERESTS IN SHARES

The interests of Directors in shares of the Company are disclosed in the Remuneration Report on pages 24 to 28.

ANNUAL GENERAL MEETING

Notice of the Company's Annual General meeting will be announced in due course and will be available at www.simecatlantis.com.

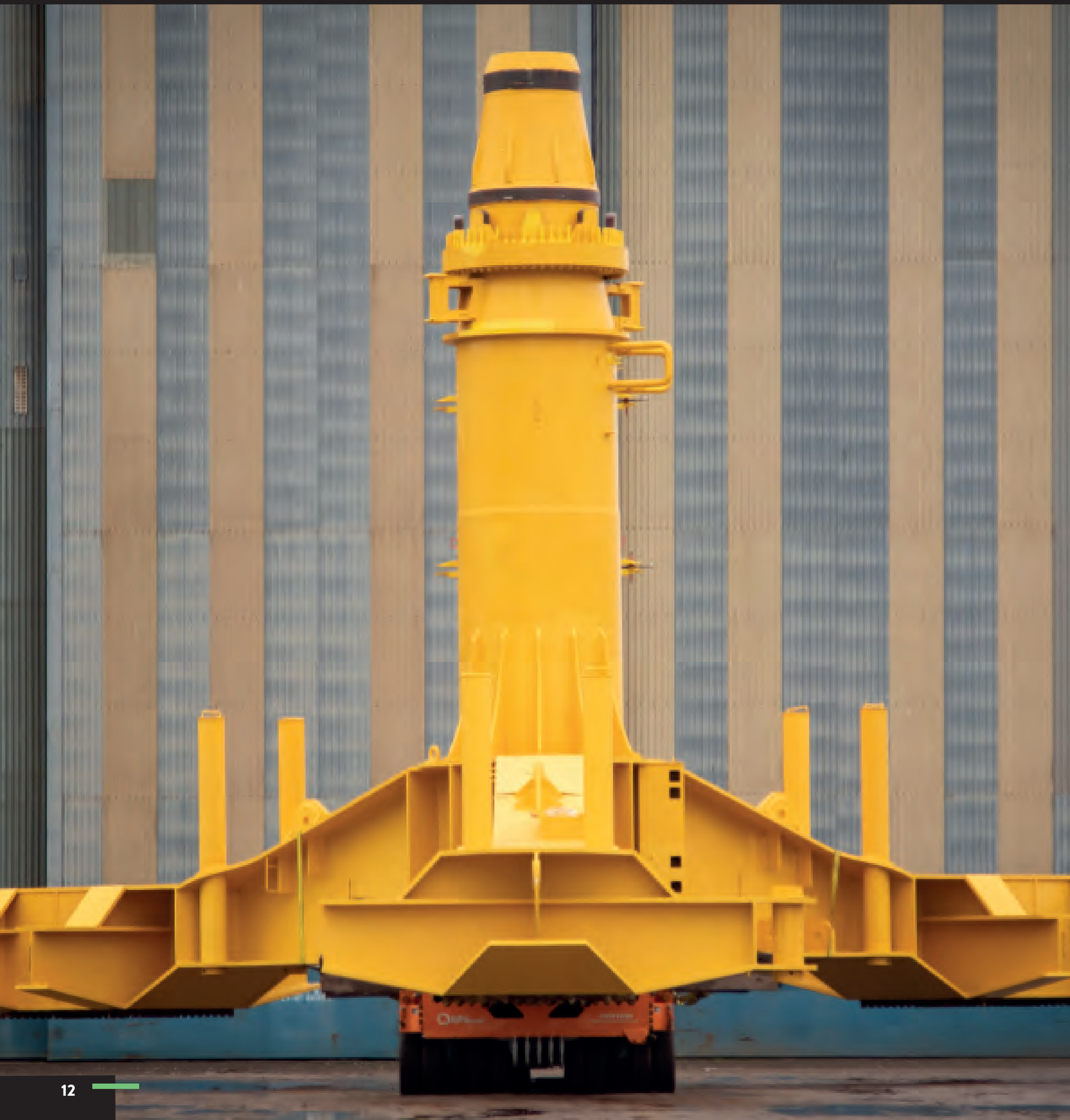
This report was approved by the Board on 29 June 2021 and signed on its behalf.

By order of the Board of Directors

John Neill
Chair of the Board
29 June 2021

Graham Reid
Chief Executive Officer
29 June 2021

The 175t foundation structure for AR500 makes its way to the quay side at Nigg Energy Park for transport to Japan



CORPORATE GOVERNANCE REPORT

The Company was incorporated in Singapore under the Singapore Companies Act on 19 December 2005 and has been listed on AIM since 20 February 2014.

The Directors recognise the importance of sound corporate governance and the Board is committed to maintaining high standards of corporate governance in line with an effective and efficient approach to management. The Board has taken into consideration the Corporate Governance Code for Small and Mid-Size Quoted Companies produced by the Quoted Companies Alliance ("QCA Code") and has taken steps to comply with the principles of the QCA Code in so far as they can be applied practically, given the size of the Group, its stage of development, resources and the nature of its operations. A further in-depth review of the requirements of these codes was carried out during 2020 with improvements being made to the way in which the Company complies with its obligations.

The QCA Code adopts key elements of the UK Corporate Governance Code, as well as other relevant guidelines and tailors these to the needs and particular circumstances of small and mid-size quoted companies on a public market. Further details of the Company's application of the QCA Code are set out in this report or on the Company's website. Where we do not comply with the QCA Code, this is set out in further detail on our website.

THE BOARD OF DIRECTORS

During 2020, the Board comprised seven Directors. The Board comprises an independent Non-Executive Chairman, one independent Non-Executive Director, three non-independent Non-Executive Directors and two Executive Directors: the Chief Executive Officer and the Corporate Finance Executive.

The following Directors of the Company were in office during the whole of the year ended 31 December 2020:

John Neill – *Independent Non-Executive Chairman*
Timothy Cornelius – *Chief Executive Officer*
Andrew Dagley – *Executive Director – Corporate Finance*
John Woodley – *Non-Executive Director*
Mark Elborne – *Non-Executive Director*
Jay Hambro – *Non-Executive Director*

On 14 October 2020, Ian Wakelin left the Board, whilst Duncan Black joined the Board on that date as an independent Non-Executive Director and Chairman of the Audit Committee.

Subsequent to the year end, on 18 January 2021 Timothy Cornelius resigned as CEO and Director and was replaced by Graham Reid.

Director biographies illustrating their relevant skills and experience can be found on pages 8 and 9.

THE CHAIRMAN

The Chairman, John Neill, is deemed by his fellow Directors to be independent and to have no conflicting relationships.

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

CORPORATE GOVERNANCE REPORT

THE BOARD

The Board is collectively responsible for the effective oversight and long-term success of the Company. It has responsibility for formulating, reviewing and approving 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 responsibilities are set out in a formal schedule of matters reserved for the Board. This schedule is reviewed and updated by the Board where considered appropriate.

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

The Board delegates authority to its Committees to carry out certain tasks on its behalf, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The composition and role of each Committee is summarised below and on pages 16 to 18.

The role of the Chairman and the Chief Executive Officer are separate with a distinct division of responsibilities.

Jay Hambro and Mark Elborne are considered Non-Independent Directors as a result of their relationship with SIMEC, the Company's largest shareholder. Although John Woodley's material relationship with the Company's share holder, Morgan Stanley, may have lead to him being designated as a Non Independent director, the Board has considered his Independence and concluded that John discharges his duties in an independent manner. John Woodley's material relationship with Morgan Stanley ended in March 2021.

Notwithstanding that John Neill holds Company's ordinary shares (as detailed on page 24), the Board has considered his independence and has concluded that John has demonstrated the utmost regard for his independence, appropriately challenging the Board during his tenure as Chairman and maintains high standards of corporate governance on the Board. Furthermore, the Board considers that John has not served as a Non-Executive Director for an undue length of time. Similarly, recognising that Duncan Black also holds Company's ordinary shares (as detailed on page 24, the Board considered his independence and, taking into account his time away from the business, his manner of conduct and his wide range of commercial interests, has concluded that Duncan is recognised as an Independent Director.

In accordance with the QCA code, the Board consists of at least two Independent non-Executive Directors.

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. Atlantis and SIMEC have entered into a relationship agreement to ensure that the Company can continue to operate independently of the SIMEC Group and the GFG Alliance.

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.

BOARD DIVERSITY

While the Board is comprised entirely of males, we consider that, as a whole, it is diverse in respect of its range of culture, nationality and international experience. The Nomination Committee is aware that the lack of female representation requires focus and attention. Gender diversity is important to the Board of Directors and the Executive Team and subject to identifying appropriate candidates(s), future vacancies will be filled by individuals with the best possible credentials, without gender bias. Further information about our approach to equality and inclusion can be found in the Our People section on page 19 and on our website www.simecatlantis.com.

CORPORATE GOVERNANCE REPORT

BOARD OPERATION

The Directors meet at regular Board meetings, held at least four times a year, with additional meetings arranged as necessary. During the year to 31 December 2020, the number of scheduled Board meetings attended by each Director was as follows:

	Attended
John Neill	9/9
Timothy Cornelius	9/9
Andrew Dagley	9/9
John Woodley	9/9
Mark Elborne	9/9
Jay Hambro	8/9
Duncan Black *	1/1
Ian Wakelin *	8/8

* Ian Wakelin left the board on 14 October 2020 and was immediately replaced by Duncan Black.

Additional Board meetings were also held as required during the year and were attended by those Directors available at the time.

The Group has a detailed Delegated Authority Matrix which is reviewed by, and approved by, the Board on at least an annual basis, or more frequently as may be required. The Delegated Authority Matrix provides an overview of the thresholds of approval that senior management and the subcommittees of the Board can operate to. It is intended to ensure that the day-to-day operation of the business can operate in accordance with Board approved budgets while ensuring that any deviations are appropriately escalated.

A third party advises newly appointed Directors of their responsibilities in connection with becoming a director of an AIM company. All Directors, including those newly appointed, receive advice, where applicable, from the Company's nominated adviser and external lawyers.

BOARD EVALUATION

The Directors are aware that they need to continually monitor and improve performance and recognise this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness.

The Board is satisfied that all of the current Directors contribute effectively and have the appropriate balance of skills and experience relevant to the leadership and direction of the Company. 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. The Board further concluded that the Chairman remained independent and his performance was satisfactory, with strong leadership capability.

Succession planning is given consideration by the Nomination Committee on an annual basis.

SENIOR INDEPENDENT DIRECTOR

The Company has not identified a Senior Independent Director of the Company in view of the size of the Board, and the Company's stage of development.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ELECTION/RE-ELECTION

Under the Company's Articles of Association, Directors are required to stand for election at the first Annual General Meeting ("AGM") after their appointment. All Directors thereafter are obliged by the Articles of Association to retire on a rotating basis and are subject to re-election at the AGM, which will be applied at the 2021 AGM.

Accordingly, Duncan Black and Graham Reid will stand for election and John Woodley will stand for re-election at the forthcoming AGM. Due to increased demands from his other business interests, John Neill has reluctantly decided not to offer himself for re-election. The Board, with great sadness, accepts his decision and would like to place on record their collective appreciation for the wise counsel, skill and dedication that John has shown to the Company over 8 years of service.

With regard to those Directors who are offering themselves for election and re-election at the next AGM, the Board believes that they will continue to make effective and important contributions to the Company's success and that Shareholders should support their election and re-election.

BOARD COMMITTEES

The Board delegates authority to four Committees, including three Committees recommended by the QCA guidelines: the Nomination Committee, the Remuneration Committee and the Audit Committee, as well as an additional 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.simecatlantis.com. These terms of reference have been reviewed and updated during 2020.

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. Executive Directors are not members of the Board Committees, although they may be invited to attend meetings.

Directors' attendance at Committee meetings (in their capacity as members of each Committee) held during 2020 is provided in the table below:

Member/Committee:	Audit Committee Attended	Remuneration Committee Attended	Nomination Committee Attended	Technology Committee Attended
John Neill	–	8/8	2/2	–
John Woodley	7/7	8/8	–	3/3
Ian Wakelin	6/6	–	1/2	–
Mark Elborne	7/7	8/8	–	3/3
Jay Hambro	–	–	1/2	–
Duncan Black	1/1	–	–	2/2

Outside of statutory membership of the above Committees, the Chairman, in agreement with the Chairs of each Committee, encourages all Board Directors to attend any Committee meeting as observers, as appropriate. Timothy Cornelius and Andrew Dagley in their positions as Executive Directors are not formal members of any Committee, however attend meetings as deemed appropriate by the Committee Chairs.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Chairman: Duncan Black (Prior to 14 October 2020: Ian Wakelin)
Members: Mark Elborne and John Woodley

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported. It receives and reviews reports from the Chief Financial Officer and auditor relating to interim and annual accounts, and the accounting and internal control systems in use throughout the Group.

The current Chairman of the Audit Committee has previously held senior finance positions in investment groups, advisory firms and power companies within the UK, Asia and Australia. The Board is satisfied that he has recent and relevant financial experience. The Chairman of the Audit Committee attended all scheduled meetings throughout the year under review.

The Audit Committee is required to meet not less than three times a year at appropriate times in the financial reporting and audit cycle and whenever otherwise necessary to fulfil its responsibilities.

The Audit Committee's role is to assist the Board in discharging its responsibilities with regard to monitoring the integrity of financial reporting, overseeing the relationship with the external auditor, making recommendations to the Board regarding the appointment of the external auditor, and reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports remains with the Board.

The Audit Committee met seven times during the course of 2020 and three times post year end. It has subsequently advised the Board that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable for shareholders to assess the Company's performance, strategy and business model.

The report from the Audit Committee is set out on pages 21 to 23.

REMUNERATION COMMITTEE

Chairman: Mark Elborne
Members: John Neill and John Woodley

The Remuneration Committee is required to meet at least twice a year and whenever otherwise necessary to fulfil its responsibilities.

The Remuneration Committee is responsible for reviewing the performance of the Executive Directors and setting the remuneration policy for Executive Directors. The objective of the policy 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 monitors and makes recommendations to the Board on matters relating to level and structure of executive management remuneration.

The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

The Remuneration Committee met on eight occasions during the course of 2020.

The Directors' Remuneration Report from the Remuneration Committee is set out on pages 24 to 28.

NOMINATION COMMITTEE

Chairman: John Neill
Members: Duncan Black and Jay Hambro (Prior to 14 October 2020: Ian Wakelin)

The Nomination Committee is required to meet at least twice a year and whenever otherwise necessary to fulfil its responsibilities.

The role of the Nomination Committee is to assist the Board in determining its composition, and that of the Committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors as the need arises. The Nomination Committee is responsible for evaluating the balance of skills, knowledge, experience and diversity of the Board and keeps under review the leadership needs of the Company. It makes appropriate recommendations to the Board on such matters.

The Nomination Committee met twice during the year. No external consultants were engaged during this period. The Nomination Committee is mindful of the need to maintain an appropriate balance of skills, experience and personalities to shape the direction of the Company going forward. Building a diverse Board that is reflective of our Company as a whole is one of the factors that will be taken in consideration when appointing new Directors.

An evaluation of the effectiveness and performance of the Board and its Committees will be carried out on an annual basis with leadership from the Nomination Committee.

TECHNOLOGY COMMITTEE

Chairman: John Woodley
Members: Mark Elborne and Duncan Black (Prior to 14 October 2020: Ian Wakelin)

The Technology Committee is responsible for monitoring the integrity of the regular internal reporting on the status of technology development within the Company and for sanctioning the external reporting of key technology milestones. The Technology Committee also keeps under review the adequacy and effectiveness of the Company's internal engineering, internal management controls and risk management systems and ensures that core technology is being developed to plan and within agreed risk parameters.

The Technology Committee met three times during the year.

DISCLOSURE AND ETHICS COMMITTEE

In addition to the formal Committees of the Board, the Company has established a Disclosure Committee, which is chaired by the Chief Executive with Andrew Dagley and Jay Hambro as members.

On an ad hoc basis, the role of this committee is to determine, in accordance with the Company's disclosure policy, whether specified information is inside or price sensitive information which should be disclosed to the market as well as to monitor the Group's procedures for communicating with the market, review the Company's arrangements for the control of inside information, assess training needs regarding the control of inside information, and various other specified matters.

During 2019, the Company established an Ethics Committee, which is chaired by Mark Elborne. Other members are Head of Human Resources and members of the executive leadership team. This is not a formal Committee of the Board. Its primary responsibility is the ongoing review of the Company's Business Ethics & Compliance Policy and to support the business in creating a culture of compliance.

The Company's Business Ethics Policy was created to provide a framework and guidance on its approach to achieving and maintaining good business behaviour by means of sound ethical conduct. It serves to ensure that all employees are aware of their individual and collective responsibilities with regards to the Company's ethics, and to emphasise employees' and customers' expectations of being treated fairly and in accordance with good business practices. Employees partake in Ethics and compliance training on an annual basis. The Company is committed to protecting employees, business partners and suppliers from illegal or damaging actions by individuals, either knowingly, or unknowingly.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. With the active involvement of the executive management team, 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 particular, Health and Safety ("H&S") has been identified as a key area of risk to the business. The Company maintains a CEO Safety Committee to monitor the systems used by the Company to manage H&S across all aspects of the business, as well as promoting strategic health, safety and environment issues throughout the Company.

The Group's internal financial control procedures and monitoring systems include:

- financial policies and approval procedures with proper authorisation level and segregation of duties for financial management;
- maintenance of policies and approval procedures with proper authorisation level and segregation of duties for financial management;
- an annual budgetary process to set the appropriate target for monitoring the progress of the Group;
- a detailed monthly financial reporting system that reports on operating results, cash flows, assets and liabilities;
- reporting on any non-compliance with internal financial controls and procedures; and
- review of the audit findings report issued by the external auditor.

In addition, the Board carries out an assessment of the principal risks facing the Company, as maintained in the Company's Risk Register.

OUR PEOPLE

Our people are integral to our success and their fulfillment and development is core to our people proposition. The COVID-19 pandemic brought a whole new range of challenges for our employees but with the introduction of flexible working patterns, Wellbeing Toolkits and the creation of a support group for Line Managers, we managed to face the new challenges head-on and keep a highly engaged and productive workforce.

Due to the constraints imposed by the pandemic and ongoing workplace disruption, 27 employees who were unable to work were placed on furlough. The Company has received reimbursement of relevant costs through the UK Governments' Coronavirus Job Retention Scheme.

We focused throughout the year on maximizing the use of transferable skills across the company. This saw our colleagues in the tidal and hydro businesses come together with the Uskmouth conversion team to drive the planning and permitting process as well as input into the design and engineering of the project. This allowed us to further demonstrate our commitment to the on-going development of our staff, providing new opportunities to share learning and develop new skills.

Over the past few years, we welcomed the opportunity to engage talented young individuals through internships and work placements and this year we expanded our outreach by launching the Apprenticeship Program. We were very excited to be able to welcome two Apprentices into our ranks in the last quarter of 2020.

Although the momentum on STEM in 2020 was disrupted because of the pandemic, we continued planning our STEM activities with a focus on improving underrepresented groups' participation in the sustainable energy and engineering sectors. We worked hard in 2020 to establish a plan for high school visits in 2021 to continue being actively involved in the communities in which we operate with the first meetings taking place in quarter one of 2021.

CORPORATE GOVERNANCE REPORT

We continued working on implementing the core competencies across the group to support our people with their professional development and to further embed our Company values of Safety, Environment, Tenacity, Innovation and Respect. These competencies also underpin our approach to recruitment where we continue to adopt recruitment best practice, focusing on an inclusive and equitable process.

We want our people to feel motivated to do their best every day. In support of this aim, we launched a company-wide Bonus Scheme in 2020 to ensure our employees have a vested interest in the performance and growth of the company.

Finally, we were honoured to receive two awards at the Scottish Green Energy Awards at the end of 2020: Champion of Renewables and Outstanding Contribution. Both awards highlighted the hard-work, talent and tenacity that our people and our business have shown in the past year:

SHAREHOLDER AND SOCIAL RESPONSIBILITIES

The Directors are aware of the importance of considering the Company's impact on its wider stakeholders. Where appropriate, the Company endeavours to take account of feedback received from stakeholders.

The Company has developed and implemented a Business Ethics Policy which provides a framework and guidance on its approach to achieving and maintaining good business behaviour by means of sound ethical conduct. Oversight of this policy is by the Ethics Committee, see page 18 for further information.

SHAREHOLDER ENGAGEMENT

The Company is committed to ensuring that there is effective and regular 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. The CEO presents a detailed presentation to shareholders at the AGM on the Group's business. The Company continues its dialogue with investors by periodical public correspondence between the management and the shareholders, via the use of the Company website and social media.

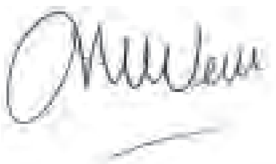
A range of corporate information is also available to shareholders, investors and the public on the Company's website www.simecatlantis.com. All shareholders will receive a copy of the audited financial statements, either via hardcopy or the website. The Company's Annual Report and Accounts are made available on the Company's website.

The Company's website is regularly updated and announcements or details of presentations and events are posted onto this website.

MAJOR SHAREHOLDER AND SHAREHOLDER ARRANGEMENT

On 21 May 2018, the Company and SIMEC, which at the end of May 2021 held 42.41% 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 SIMEC 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 relationship agreement includes restrictions on Board voting rights of the two SIMEC representative Directors on SIMEC related matters.

By order of the Board of Directors



John Neil
Chairman of the Board

29 June 2021

AUDIT COMMITTEE REPORT

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

The Audit Committee comprises three Non-Executive Directors (the "Members"), appointed by the Board. All Members of the Audit Committee are considered to have relevant experience in the industry in which the Company operates. The Board is also satisfied that at least one Member of the Audit Committee has recent and relevant financial experience. Further details on the Audit Committee's membership and attendance records can be found in the Corporate Governance Report on page 16.

No individual who is not a Member of the Audit Committee is entitled to attend or to vote at its meetings. The Company's Chief Executive Officer and Chief Financial Officer may attend meetings by invitation and other members of the senior management team attend as required. The audit partner and audit manager from the Company's external auditor are invited to attend meetings on a regular basis.

ROLE OF THE AUDIT COMMITTEE

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

- monitor the integrity of the Company's financial reporting and significant financial accounting policies and judgements;
- review the content of the Annual Report and audited financial statements where requested by the Board, and advise on whether it is fair, balanced, understandable and provides the information necessary for shareholders to assess the Company's 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, re-appointment and removal of the Company's external auditor;
- advise the Board on the appointment, terms of engagement and remuneration of the external auditor and monitor their independence and effectiveness;
- review the effectiveness of the Company's systems for the detection of fraud and the prevention of bribery; and
- review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

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

MATTERS CONSIDERED DURING THE YEAR

The Audit Committee met on seven occasions during the year and three times post year end until the date of this report. At these meetings, the Audit Committee has considered the following:

- Group operational risks;
- Internal controls and risk management;
- Group tax considerations;
- Going concern and cash flow projections;
- Financial statements and key assumptions;

- Review of related party transactions;
- Review of the audit plan and fees;
- Review of external audit services;
- External auditor's report to the Committee;
- The effectiveness of the audit process;
- External auditor reappointment;
- Assessment of the need for an internal audit function; and
- Terms of Reference of the Audit Committee.

INSIGHTS INTO THE AUDIT COMMITTEE'S ACTIVITIES DURING THE YEAR

The Audit Committee has reviewed, analysed and challenged the significant assumptions within the audited financial statements with an independent mind-set. It has considered the application of materiality, the auditor's assessment of risks of material misstatements and how management has been responsive to the audit.

Our external auditors, Ernst & Young LLP, were engaged to perform an audit on the financial statements of the Company and Group for the year ended 31 December 2020 which are presented in this annual report to shareholders.

The Audit Committee reviews and approves both the external auditor's audit plan and its findings in respect of its audit of the Company's financial statements, carefully monitoring these to ensure completeness, accuracy, clarity and integrity. The Audit Committee regularly monitors the objectivity and independence of the external auditor to ensure its continued effectiveness, value for money and compliance with statutory duties. The Audit Committee met with the auditors four times during the year (and twice post year-end) to discuss the risk assessment, audit planning matters and results from the audit.

The primary areas of review by the Audit Committee, and the key assumptions, estimates and judgments considered and addressed in relation to the financial statements were as follows:

- Going concern and longer-term viability – the Audit Committee reviewed the current liquidity position, Management's financial forecasts including stress testing of potential risks, and Management's conclusions that there is a reasonable expectation that the Company and Group have sufficient resources to continue in operation for the period of going concern assessment. The Audit Committee concurred with the material uncertainties highlighted in Note 2.1 and concluded that the disclosures in this Annual Report and Accounts 2020 regarding the Group's going concern and future viability were balanced and understandable.
- Carrying value of intangible assets and property, plant and equipment – the review for impairment of intangible assets and property, plant and equipment is based on cash flow projections to calculate a fair value less cost to sell for each of the Group's projects. The achievability of the forecast is a risk, given inherent uncertainty within any financial projection. The Audit Committee evaluated a paper from Management on the results of the impairment assessment. Key assumptions were reviewed and challenged by the Committee, including discount rates, business risk factors and cash flow projections based on the most recent budget and strategic reviews. Actions and factors likely to influence levels of impairment were reviewed with alternative scenarios requested for further analysis. Taking into account the documentation presented, the Audit Committee was satisfied with the approach and judgements taken.
- Adequacy of decommissioning provisions – the Audit Committee noted the Management paper prepared to support their best estimate of the various elements of decommissioning obligations required for the projects which the Group is engaged in. The key assumptions and independent costs associated with these exercises were deemed to be appropriate.
- Carrying value of the parent company investments in subsidiary companies – following review of the investment values and the appropriate adjustment to values agreed by Management, the Audit Committee concluded that the values recorded in the 2020 Annual Report and Accounts were appropriate.
- Revenue recognition – during the year the Audit Committee has reviewed the methodology of income recognition, particularly in terms of major projects, and was satisfied that the approach taken was appropriate and in accordance with the Group's accounting policy.

AUDIT COMMITTEE REPORT

At around the start of 2021, there was a significant change in the risk profile of the going concern of the Group as a result of its financial position and adverse developments over the financial health of GFG Alliance, the ultimate beneficial owner of the Group's major shareholder, SIMEC UK Energy Holdings Limited ("SUEH"), and the subsequent appointment of a receiver for SUEH. In response to the increased risks, the Audit Committee made further enquiries of management on the impact of these developments on the assumptions used in the cash flow forecasts, as well as the nature and completeness of recording and disclosure of transactions and balances with related parties that had taken place during the year, and following due enquiry, were satisfied that they were appropriate.

The Audit Committee also discussed with the external auditors to understand their planned response and incremental procedures performed to address the increased risks. The Audit Committee noted that no exceptions were highlighted from the external auditor's incremental procedures.

That said, the external auditors were not able to obtain sufficient and appropriate evidence over the key assumptions applied in management's going concern forecasts prepared for the period to 31 December 2022 due to the potential interaction of the material uncertainties (as outlined in Note 2.1) to be able to conclude that the use of the going concern assumption is appropriate and accordingly were unable to express an opinion on the Company and Group financial statements.

INTERNAL AUDIT FUNCTION

The Audit Committee considered the need for an internal audit function and has determined that there is no current need given the limited size of the Group and the Group's internal controls. It has been agreed that the Audit Committee will consider the need for an internal audit function on at least an annual basis, or more frequently as may be appropriate.

AUDITOR OBJECTIVITY AND INDEPENDENCE

The Audit Committee monitors and reviews the effectiveness of the external audit process, including a review of the audit plan and the audit results report. The Audit Committee has assessed the performance of the external auditor in respect of the 2020 audit.

The Audit Committee has satisfied itself that safeguards were in place to protect the objectivity and independence of the external auditor.

Ernst & Young LLP ("EY") have expressed their intention not to seek reappointment as the Company's external auditor, although will stay in office until such time as a replacement auditor is appointed. The Audit Committee will oversee a process to identify a suitable replacement external auditor for the Company for recommendation to the Board for its appointment.

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

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.simecatlantis.com.

Duncan Black
Chairman of the Audit Committee

29 June 2021

DIRECTORS' REMUNERATION REPORT

This report includes details of the Directors' remuneration in 2020. 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 17.

REMUNERATION FRAMEWORK

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

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES

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

DIRECTORS' INTERESTS IN SHARES

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

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
Ordinary shares	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
John Neill	377,501	377,501	–	–
Timothy Cornelius	84,041	84,041	992,065(1)	992,065(1)
Duncan Black	1,042,419	1,042,419	–	–

(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.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS AND PAYMENTS FOR LOSS OF OFFICE

The Chief Executive Officer and Chief Financial Officer are employed under a service contract with a fixed period of notice of termination. Their 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 2020 and 31 December 2019. This includes any pension and employer's National Insurance contributions and excludes share-based payments. During 2020, to support the Company and preserve liquidity through the period of uncertainty, the Chairman and Non-executive Directors took a 20% cut in fees for 3 months.

	Annual Remuneration	
Director	**2020 £'000**	2019 £'000
John Neill	**80**	84
Timothy Cornelius[(1)(7)]	**353**	321
John Woodley[(2)]	**39**	41
Andrew Dagley[(2)]	**170**	173
Mark Elborne[(2)]	**39**	41
Ian Wakelin[(6)]	**29**	38
Duncan Black[(4)]	**8**	–
Ian Macdonald[(2)(5)]	**–**	13
Jay Hambro[(3)]	**–**	–

(1) Timothy Cornelius was employed by Atlantis Operations (UK) Limited, and resigned as Chief Executive Officer and Director on 18 January 2021. Graham Reid was appointed as his replacement on the same date.

(2) John Woodley, Mark Elborne, Ian Macdonald and Andrew Dagley are all remunerated in Singapore dollars. Figures shown above are Great British Pounds equivalents, converted at the prevailing exchange rate.

(3) Jay Hambro is not remunerated by SAE for his services.

(4) Duncan Black was appointed to the board 14 October 2020.

(5) Ian Macdonald resigned from the Board on 22 January 2019.

(6) Ian Wakelin resigned from the Board on 27 July 2020 and stepped down on 14 October 2020.

(7) Includes bonus payment of £10k - approved by the Remuneration Committee.

LONG TERM INCENTIVE PLAN ("LTIP")

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

The options granted to Directors as at the end of the financial year are shown below:

Name	Date of grant	Ordinary shares	Nature of award	Exercise price	Vesting period
Timothy Cornelius	30 September 2016	1,000,000	Option	£0.50	1/3 on 11 Dec 2016, 1/3 on 11 Dec 2017 and 1/3 on 11 Dec 2018
Andrew Dagley	05 December 2016	120,000	Option	£0.50	1/3 on each of first, second and third anniversary of grant
Andrew Dagley	21 December 2017	336,000	Option	£0.50	1/3 on each of first, second and third anniversary of grant
Timothy Cornelius	15 June 2018	300,000	Option	£0.35	1/3 on each of first, second and third anniversary of grant
Andrew Dagley	15 June 2018	150,000	Option	£0.35	1/3 on each of first, second and third anniversary of grant

Awards issues are exercisable up to the tenth anniversary of the date of the grant.

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

COMPANY SHARE OPTION PLAN ("CSOP")

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

SHARE OPTIONS

(a) ***Long Term Incentive Plan***

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

Date of grant/ modification	Balance at 01.01.2020	Granted	Exercised	Cancelled/ lapsed	Balance at 31.12.2020	Exercise price per share	Exercisable period
01.01.2016	350,000	–	–	–	350,000	£0.50	01.01.2016 to 01.01.2026
30.09.2016	700,000	–	–	(60,000)	640,000	£0.50	30.09.2016 to 30.09.2026
05.12.2016	970,000	–	–	–	970,000	£0.50	05.12.2016 to 05.12.2026
21.12.2017	336,000	–	–	–	336,000	£0.50	21.12.2017 to 03.08.2027
21.12.2017	300,000	–	–	–	300,000	£0.50	21.12.2017 to 29.09.2027
15.06.2018	600,000	–	–	–	600,000	£0.35	15.06.2018 to 15.06.2028
15.06.2018	81,480	–	–	(6,000)	75,480	£0.50	15.06.2018 to 15.06.2028
29.06.2020	–	1,400,000	–	–	1,400,000	£0.30	29.06.2020 to 29.06.2030
29.06.2020	–	100,000	–	–	100,000	£0.50	29.06.2020 to 29.06.2030
04.12.2020	–	60,000	–	–	60,000	£0.20	04.12.2020 to 04.12.2030
04.12.2020	–	300,000	–	–	300,000	£0.30	04.12.2020 to 04.12.2030
Total	**3,337,480**	**1,860,000**	**–**	**(66,000)**	**5,131,480**		

(b) ***Company Share Option Plan***

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

Date of grant/ modification	Balance at 01.01.2020	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2020	Exercise price per share	Exercisable period
10.11.2016	299,985	–	–	(14,285)	285,700	£0.70	11.11.2016 to 11.11.2026
19.08.2019	3,200,000	–	–	(250,000)	2,950,000	£0.20	19.08.2019 to 19.08.2029
Total	**3,499,985**	**–**	**–**	**(264,285)**	**3,235,700**		

(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 and the share placing agreement disclosed in note 23 to the financial statements, there were no unissued shares of any corporation in the Group under option.

SHAREHOLDER VOTE AT THE ANNUAL GENERAL MEETING

The 2020 Directors' Remuneration Report will once again be put to an advisory shareholder vote at the 2021 AGM.

The 2019 Directors' Remuneration Report was approved by shareholders at the Company's AGM held on 28 August 2020.

Approved and signed on behalf of the Board.

Mark Elborne

Mark Elborne
Chairman of the Remuneration Committee

29 June 2021

DIRECTORS' RESPONSIBILITY 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 2020.

In our opinion:

- the financial statements set out on pages 35 to 39 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 2020 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
- at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

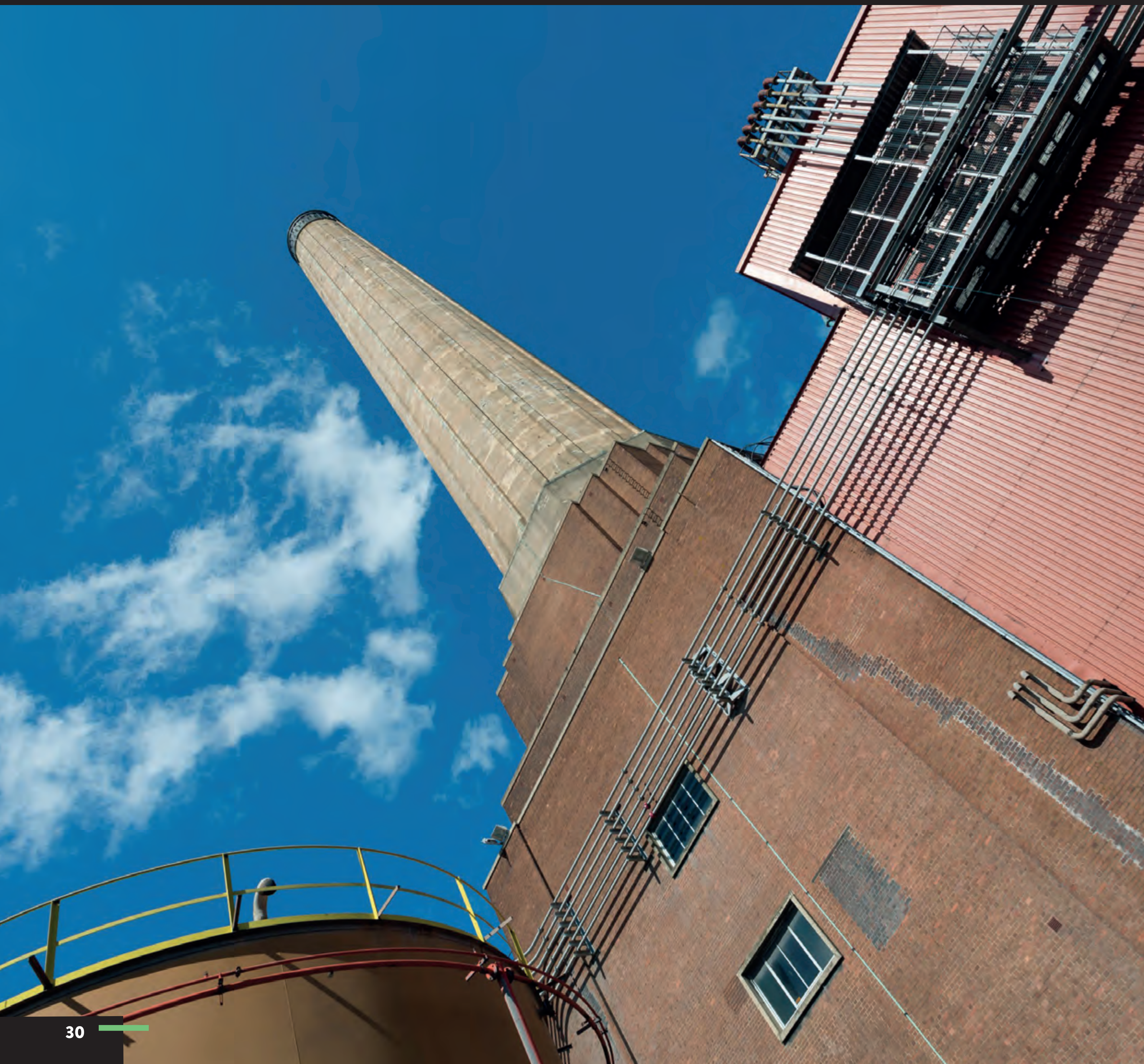
John Neill
Chairman of the Board

29 June 2021

Graham Reid
Chief Executive Officer

29 June 2021

Uskmouth power station



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMEC ATLANTIS ENERGY LIMITED

EY
Building a better working world

Ernst & Young LLP
One Raffles Quay,
North Tower,
Level 18
Singapore 048583

https://www.ey.com

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of SIMEC Atlantis Energy Limited (the "Company") and its subsidiaries (collectively, the "Group"), for the year ended 31 December 2020 which comprise:

Group

Consolidated statement of financial position as at 31 December 2020

Consolidated statement of profit or loss and other comprehensive income for the year then ended

Consolidated statement of changes in equity for the year then ended

Consolidated statement of cash flows for the year then ended

Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies

Company

Statement of financial position as at 31 December 2020

Statement of changes in equity for the year then ended

Related notes 1 to 33 to the financial statements including a summary of significant accounting policies

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Directors have prepared the Group's and Company's financial statements for the year ended 31 December 2020 on a going concern basis based on the assumptions disclosed in the basis of preparation (Note 2.1). These financial statements show that, as at and for the year ended on that date, that the Group incurred a net loss after tax of £19.7 million, the Group's and Company's current liabilities exceeded its current assets by £4.1 million and £11.4 million respectively, and the Group had cash balances totalling £5.8 million (which included £1.5 million of encumbered deposits serving as collateral for its subsidiaries that is not available for use by the remainder of the Group and €3.9 million of grant monies received from the EU that are repayable.

These factors and the existence of multiple material uncertainties as described in the basis of preparation (Note 2.1) relating to events or conditions that, individually or collectively, may cast significant doubt on the abilities of the Group and the Company to continue as going concern are:

1. Access to related party loans from entities with the Group's major shareholder, SIMEC UK Energy Holdings Ltd ("SUEH"). The Company has considered in their committed case that they can draw down a committed £2.0 million convertible loan from SUEH. In respect of this undrawn loan, a full assessment was undertaken of the conditions precedent to obtaining access to the £2.0 million funding from SUEH and the Directors are satisfied that it remains available to be draw upon. The Company has assumed in their committed case that they can extend the repayment of the £2.03 million convertible loan, due to be repaid to SIMEC Group Limited in December 2021. The Company has received confirmation that they can extend the repayment of the existing £2.03 million convertible loan to the earlier of December 2023 or financial close of the Uskmouth project. Whilst written confirmation of these matters has been obtained, these confirmations are not legally binding or guaranteed and could be subject to change (refer to related company and related party transactions, Note 29 of the consolidated financial statements). As a result, uncertainty remains as to the availability of these related party loans in the going concern period, which if not received could lead to a £4.03 million reduction in the assumed liquidity in the going concern review period.
2. Uncertainty as to the expected proceeds of the third and fourth closings on the New Technology Capital Group, LLC funding. Whilst the Directors have modelled the possible outcomes for the third and fourth closings expected to be receivable in September and December 2021, the amounts receivable are outside the control of management and dependent on the Share Price and Market Capitalisation of the Group. This gives rise to uncertainty as to the magnitude of the proceeds and timing of these funds in the going concern period. If none of this funding was available in the going concern period, this could lead to a £2.0 million reduction in assumed liquidity in the going concern review period.
3. Refinancing of the Abundance bonds due for repayment in June 2022. During the going concern period, £4.8 million of the Abundance bonds is repayable in June 2022. The Directors have held discussions with the issuers of the bonds and have concluded that it is a reasonable assumption that the bonds will be refinanced or 'rolled-over' and that there is sufficient time in advance of the repayment date to have a new arrangement agreed and in place. However, no agreement has yet been reached and there is no certainty that the bonds can be refinanced. If the Abundance bonds are not refinanced, this could lead to a £4.8 million reduction in assumed liquidity in the going concern review period.
4. Timing of the repayment of EU grant funding. As at the date of these accounts, the Group is in discussion with the EU funding authority over the repayment of an amount of €3.9 million (£3.3 million) relating to grant income that had not been used. Whilst management are in negotiations with the EU in respect of repayment terms for the Group, these are not fully within the control of management and as such an uncertainty remains over when these amounts will be repaid. If the EU monies are repaid in full in the going concern period, this could lead to a €3.9 million (£3.3 million) reduction in liquidity in the going concern period.

We are unable to form an opinion on the Group and Company financial statements due to the potential interaction of the uncertainties and the possible cumulative effect on the appropriateness of the going concern assumption used in the preparation of the Group's and Company's financial statements. The successful outcomes of these crucial assumptions and events are inherently uncertain and have become more so after the recent appointment of a receiver for the Company's major shareholder, SIMEC UK Energy Holdings Limited and negative developments about the financial difficulties faced by the major shareholder's ultimate beneficial owner.

The financial statements do not reflect any adjustments that would be required should the Group and Company be unable to continue as a going concern.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMEC ATLANTIS ENERGY LIMITED

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group's and Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

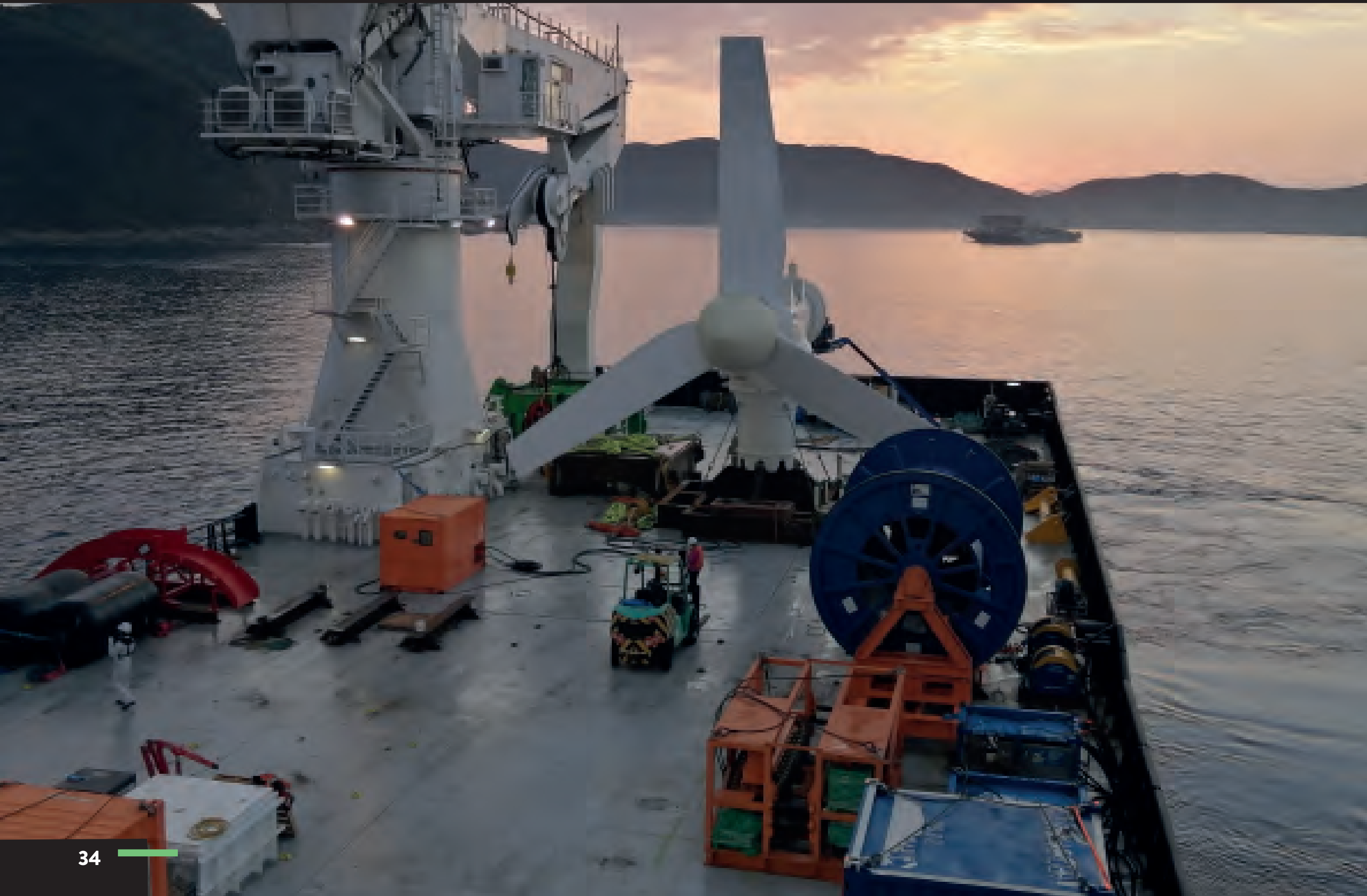
In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Vincent Weng Sum Toong.

Ernst & Young LLP
Public Accountants and Chartered Accountants

Singapore

30 June 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Revenue	4	**12,234**	4,859
Other income	5	**1,274**	1,856
Employee benefits expense	6	**(6,080)**	(6,347)
Subcontractor costs		**(7,987)**	(4,069)
Depreciation and amortisation	9	**(10,624)**	(10,479)
Acquisition costs		–	(1,336)
Other operating expenses		**(4,349)**	(3,862)
Total operating expenses before non-recurring items *		**(29,040)**	(26,093)
Loss on disposal of intangible seabed options	11	–	(16,085)
Gain on bargain purchase	13	–	2,928
Results from operating activities		**(15,532)**	(32,535)
Finance costs	7	**(3,889)**	(3,648)
		(19,421)	(36,183)
Share of loss of equity-accounted investees	14	**–**	(23)
Loss before tax		**(19,421)**	(36,206)
Tax (expense)/credit	8	**(263)**	787
Loss for the year	9	**(19,684)**	(35,419)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**1**	6
Total comprehensive income for the year		**(19,683)**	(35,413)
Loss attributable to:			
Owners of the Company		**(19,079)**	(34,872)
Non-controlling interests	13	**(605)**	(547)
Total comprehensive income attributable to:			
Owners of the Company		**(19,078)**	(34,866)
Non-controlling interests	13	**(605)**	(547)
Loss per share			
Basic and diluted loss per share	27	**(0.04)**	(0.08)

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.

* Non-recurring items – Items which individually or, if of a similar type, in aggregate need to be separately disclosed by virtue of their nature, size or incidence in order to allow a proper understanding of the underlying financial performance of the Group.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Assets					
Property, plant and equipment	10	**131,085**	136,315	**–**	–
Intangible assets	11	**15,434**	17,058	**1,307**	1,568
Right of use assets	12	**1,739**	1,436	**–**	–
Investments in subsidiaries	13	**–**	–	**64,040**	63,975
Investment in joint venture	14	**511**	47	**–**	–
Loans receivable	15	**–**	–	**12,294**	12,229
Trade and other receivables	16	**–**	–	**49,893**	41,381
Non-current assets		**148,769**	154,856	**127,534**	119,153
Trade and other receivables	16	**3,216**	7,830	**137**	4,234
Inventory	17	**861**	864	**–**	–
Cash and cash equivalents	18	**5,814**	4,521	**732**	121
Current assets		**9,891**	13,215	**869**	4,355
Total assets		**158,660**	168,071	**128,403**	123,508
Liabilities					
Trade and other payables	19	**8,055**	9,449	**10,371**	10,258
Lease liabilities	12	**327**	276	**–**	–
Provisions	20	**162**	120	**94**	41
Loans and borrowings	21	**5,488**	4,559	**1,833**	119
Current liabilities		**14,032**	14,404	**12,298**	10,418
Lease liabilities	12	**1,350**	1,091	**–**	–
Provisions	20	**14,879**	14,539	**–**	–
Loans and borrowings	21	**43,041**	40,662	**408**	392
Deferred tax liabilities	22	**3,582**	3,344	**–**	–
Non-current liabilities		**62,852**	59,636	**408**	392
Total liabilities		**76,884**	74,040	**12,706**	10,810
Net assets		**81,776**	94,031	**115,697**	112,698
Equity					
Share capital	23	**195,375**	188,018	**195,375**	188,018
Capital reserve	24	**12,665**	12,665	**–**	–
Translation reserve	25	**7,080**	7,079	**(227)**	(227)
Share option reserve	26	**787**	740	**787**	740
Accumulated losses		**(139,841)**	(120,786)	**(80,238)**	(75,833)
Total equity attributable to owners of the Company		**76,066**	87,716	**115,697**	112,698
Non-controlling interests	13	**5,710**	6,315	**–**	–
Total equity		**81,776**	94,031	**115,697**	112,698

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Note	Share capital £'000	Capital reserve £'000	Translation reserve £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interest £'000	Total £'000
		Attributable to owners of the Company							
Group									
At 1 January 2019		178,218	12,665	7,073	3,224	(88,479)	112,701	6,862	119,563
Total comprehensive income for the year									
Loss for the year		–	–	–	–	(34,872)	(34,872)	(547)	(35,419)
Other comprehensive expense		–	–	6	–	–	6	–	6
Total comprehensive income for the year		–	–	6	–	(34,872)	(34,866)	(547)	(35,413)
Transactions with owners, recognised directly in equity									
Issue of ordinary shares net of issue costs	23	9,800	–	–	–	–	9,800	–	9,800
Recognition of share-based payments	27	–	–	–	81	–	81	–	81
Transfer between reserves	26	–	–	–	(2,565)	2,565	–	–	–
Total transactions with owners		9,800	–	–	(2,484)	2,565	9,881	–	9,881
At 31 December 2019		188,018	12,665	7,079	740	(120,786)	87,716	6,315	94,031
Total comprehensive income for the year									
Loss for the year		–	–	–	–	(19,079)	(19,079)	(605)	(19,684)
Other comprehensive income		–	–	1	–	–	1	–	1
Total comprehensive income for the year		–	–	1	–	(19,079)	(19,078)	(605)	(19,683)
Transactions with owners, recognised directly in equity									
Issue of ordinary shares net of issue costs	23	7,357	–	–	–	–	7,357	–	7,357
Recognition of share-based payments	27	–	–	–	71	–	71	–	71
Transfer between reserves	27	–	–	-	(24)	24	–	–	–
Total transactions with owners		7,357	–	-	47	24	7,428	–	7,428
At 31 December 2020		**195,375**	**12,665**	**7,080**	**787**	**(139,841)**	**76,066**	**5,710**	**81,776**

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Note	Share capital £'000	Translation reserve £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000
Company						
At 1 January 2019		178,218	(227)	3,224	(61,125)	120,090
Total comprehensive income for the year						
Loss for the year		–	–	–	(17,273)	(17,273)
Total comprehensive income for the year		–	–	–	(17,273)	(17,273)
Transactions with owners, recognised directly in equity						
Issue of ordinary shares net of issue costs	23	9,800	–	–	–	9,800
Recognition of share-based payments	27	–	–	81	–	81
Transfer between reserves	26	–	–	(2,565)	2,565	–
Total transactions with owners		9,800	–	(2,484)	2,565	9,881
At 31 December 2019		188,018	(227)	740	(75,833)	112,698
Total comprehensive income for the year						
Loss for the year		**–**	**–**	**–**	**(4,429)**	**(4,429)**
Total comprehensive income for the year		**–**	**–**	**–**	**(4,429)**	**(4,429)**
Transactions with owners, recognised directly in equity						
Issue of ordinary shares net of issue costs	23	**7,357**	**–**	**–**	**–**	**7,357**
Recognition of share-based payments	27	**–**	**–**	**71**	**–**	**71**
Transfer between reserves	27	**–**	**–**	**(24)**	**24**	**–**
Total transactions with owners		**7,357**	**–**	**47**	**24**	**7,428**
At 31 December 2020		**195,375**	**(227)**	**787**	**(80,238)**	**115,697**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Loss before tax for the year		**(19,421)**	(36,206)
Adjustments for:			
Grant income	5	**(274)**	(1,313)
Bargain purchase arising from business combinations	13	**–**	(2,928)
Depreciation of property, plant and equipment; and right-of-use assets	10,12	**8,980**	8,948
Amortisation of intangible assets	11	**1,644**	1,531
Interest income	5	**(3)**	(16)
Finance costs	7	**3,889**	3,648
Share-based payments	6	**71**	81
Movement in provisions	20	**187**	(1,499)
Disposal of intangible assets	11	**–**	16,085
Share of loss of Joint Venture, net of tax	14	**–**	23
Net foreign exchange		**289**	35
Operating cash flows before movements in working capital		**(4,638)**	(11,611)
Movements in trade and other receivables		**584**	1,907
Movements in trade and other payables		**(1,878)**	(1,075)
Net cash used in operating activities		**(5,932)**	(10,779)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,027)**	(1,789)
Proceeds from grants received		**1,629**	-
Investment in joint venture	14	**(464)**	(70)
Acquisition of subsidiary, net of cash acquired	13	**–**	423
Net cash used in investing activities		**(3,862)**	(1,436)
Cash flows from financing activities			
Proceeds from grants received		**274**	1,614
Proceeds from issue of shares	23	**11,530**	6,030
Share issuance cost	23	**(323)**	(260)
Proceeds from borrowings	21	**3,056**	2,730
Repayment of borrowings	21	**(1,753)**	(1,376)
Interest paid	21	**(1,099)**	(849)
Payment of lease liabilities	12	**(464)**	(420)
Deposits released/(pledged)		**(580)**	(3)
Net cash from financing activities		**10,641**	7,466
Net increase/(decrease) in cash and cash equivalents		**847**	(4,749)
Cash and cash equivalents at 1 January		**3,602**	8,351
Effect of foreign exchange rates on the balance of cash held in foreign currencies		**(134)**	–
Cash and cash equivalents at 31 December	18	**4,315**	3,602

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 June 2021.

1. DOMICILE AND ACTIVITIES

SIMEC Atlantis Energy Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is Level 4, 21 Merchant Road, #04-01 Singapore 058267. The principal place of business is Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG, United Kingdom.

The principal activity of the Group is to develop and operate as a global sustainable energy provider. The Company is an inventor, developer, owner, marketer and licensor of technology, intellectual property, trademarks, products and services and an investment holding company.

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

The financial statements of the Group as at and for the year ended 31 December 2020 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 Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). SFRS(I)s are issued by the Accounting Standards Council Singapore, which comprise standards and interpretations that are equivalent to IFRS issued by the International Accounting Standards Board.

All references to SFRS(I)s and IFRSs are subsequently referred to as IFRS in these financial statements unless otherwise specified.

The financial statements have been prepared on the historical cost basis except as otherwise disclosed in the accounting policies below.

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

Adoption of New and Revised Standards

A number of amendments to standards and interpretations are effective for annual periods from 1 January 2020. The following amendments to standards and interpretations had no impact on the consolidated financial statements of the Group.

- Amendments to References to the Conceptual Framework in IFRS Standards (1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (1 January 2020)
- Amendment to IFRS 3 Business Combinations – Definition of a Business (1 January 2020)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Directors do not expect that the adoption of the relevant Standards listed below will have a material effect on the financial statements of the Group in future periods.

- IFRS 17 Insurance Contracts (1 January 2021)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (1 January 2023)
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (1 January 2022)
- Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions (1 June 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of equity of the Company are presented in Great British Pounds ("GBP"), 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 the reporting period. All exchange differences are recognised in profit or loss.

At each reporting date, for presentation purposes, the assets and liabilities of the Group's entities that do not use GBP as their functional currency are translated into GBP at exchange rates presiding at the reporting date, with gains or losses on retranslation being recognised through the translation reserve. Income and expense transactions are translated at the average exchange rates for the period, where average rates are a reasonable approximation of actual rates.

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

Going concern

In adopting the going concern basis for preparing these financial statements, the Board has considered the Group's business activities, together with factors likely to affect its future development, its performance and principal risks and uncertainties.

The Board of Directors are required to state whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties as to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. The period of management's going concern assessment is the period to 31 December 2022.

The Board of Directors has undertaken the assessment of the going concern assumptions using financial forecasts for the period to 31 December 2022. Due to the development stage of the business with relatively modest cashflow from operations, the business is dependent upon external financing, including amounts that the Company is forecast to receive from its equity placing with New Technology Capital Group (NTC), the refinancing of a convertible loans from SIMEC Group Ltd due for repayment in December 2021 and the refinancing of the Abundance bonds due for repayment in June 2022.

In line with previous practice, the Company funds its short and medium-term funding requirements through a combination of equity and debt. Details of the Group's loans and borrowings at year end can be found in note 21 of the financial statements. As at the 31 December 2020, the only undrawn loan was the £2.0 million SIMEC UK Energy Holdings Ltd convertible loan which will be repayable in May 2022 (within the going concern period) and its availability is subject to the satisfaction of deliverables from the SUP project which, in management's opinion, were satisfied during 2020.

On 17 December 2020, the Group entered into a share placement agreement with New Technology Capital Group, LLC, a US based investor, in relation to the issuance of new ordinary shares to raise up to £12.0 million. Under this arrangement the Group received £2.0 million on 17 December 2020 and a further £2.0 million in March 2021. The agreement provides for further additional tranches expected to be received in September 2021 and December 2021, up to a maximum of £2 million for each closing. The Group may also obtain further additional discretionary investments from the Investor, in an aggregate amount of up to £4 million, with the consent of the Investor

Going concern assessment

Management has prepared both a base case forecast and a more cautious "committed case" which is the focus for the going concern assessment. The committed case projections are based on contractually committed income (based on contractual milestones where applicable), available funding sources (utilising funding agreements already in place) and forecast costs based on actual expenditure to date and management experience of running those projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The only covenant is in respect of the Group's long-term debentures related to balance sheet coverage which requires the entity to have a total debt to asset ratio of at least 1:2.8. Under both the base case and committed case forecast, positive liquidity headroom exists throughout the going concern period and the Group remains in compliance with this covenant.

The Directors consider, following their review of the committed case, that there are four material uncertainties during the going concern period:

- Access to related party loans from entities with the Group's major shareholder, SIMEC UK Energy Holdings Ltd. The Company has assumed in its committed case that the conditions precedent to obtaining access to this loan remain satisfied and as such the Directors are satisfied that this loan remains available for draw down. The Company has assumed in its committed case that they can extend the repayment of the drawn down £2.03 million convertible loan, due to repaid to SIMEC Group Limited in December 2021. The company has received confirmation that they can extend the repayment of the existing £2.03 million convertible loan to the earlier of December 2023 and financial close of the Uskmouth project. Whilst written confirmation of these matters has been obtained, these confirmations are not legally binding or guaranteed and could be subject to change (refer to related company and related party transactions, note 29 of the consolidated financial statements). As a result, uncertainty remains as to the availability of these related party loans in the going concern period, which if not received could lead to a £4.03m reduction in the assumed liquidity in the going concern review period.
- Uncertainty as to the expected proceeds of the third and fourth closings on the New Technology Capital Group, LLC funding. Whilst the Directors have modelled the possible outcomes for the third and fourth closings expected to be receivable in September and December 2021, the amounts receivable are outside the control of management and dependent on the share price and market capitalisation of the Company. This gives rise to uncertainty as to the magnitude of the proceeds and timing of these funds in the going concern period. If none of this funding was available in the going concern period, this could lead to a £2m reduction in assumed liquidity in the going concern review period.
- Refinancing of the Abundance bonds due for repayment in June 2022. During the going concern period, £4.8m of the Abundance Bonds is repayable in June 2022. The Directors have held discussions with the issuers of the bonds and have concluded that it is a reasonable assumption that the bonds will be refinanced or 'rolled-over' and that there is sufficient time in advance of the repayment date to have a new arrangement agreed and in place. However, no agreement has yet been reached and there is no certainty that the bonds can be refinanced. If the Abundance bonds are not refinanced, this could lead to a £4.8 million reduction in assumed liquidity in the going concern review period.
- Timing of the repayment of EU grant funding. As at the date of these accounts, the Group is in discussion with the EU funding authority over the repayment of an amount of €3.9 million (£3.3 million) relating to grant income that had not been used. Whilst management is in negotiations with the EU in respect of repayment terms for SAE, these are not fully within the control of management and as such an uncertainty remains over when these amounts will be repaid. If the EU monies are repaid in full in the going concern period, this could lead to a €3.9 million (£3.3 million) reduction in liquidity in the going concern period.

Mitigating actions

In the event that cashflows are limited due to delays in the available funding or repayment of the EU grant funding, controllable mitigating actions such as reducing the Group's cost base, suspension of Directors fees, and taking the full benefit of payment terms with suppliers would be available but would not be sufficient to remove the material uncertainties. The following mitigations outside the control of management could be available to the Group, the benefits of which have not been reflected in our going concern assessment: the refinancing of the Meygen corporate debt which would allow for the release of additional restricted funds back into the Group the realisation of value from non-core assets within the Group; the successful application for central and local government grants available and access to additional equity funding of up to a further £4.0m through the New Technology Capital Group, LLC share placement agreement signed on 17 December 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Material uncertainties related to going concern

After reviewing the current liquidity position, financial forecasts and stress testing of risks and based on the current funding facilities outlined and considerations noted above, the Board has a reasonable expectation that the Company and the Group has sufficient resources to continue in operational existence for the foreseeable future, which is the period to 31 December 2022. As a result, the Board continues to adopt the going concern basis of accounting in preparing the Company and Group financial statements.

The Board has identified material uncertainties arising that may cast doubt upon the Company and Group's ability to continue as a going concern:

- Access to related party loans from SIMEC UK Energy Holdings Ltd and SIMEC Group Ltd
- Uncertainty as to the expected proceeds of the third and fourth closings on the New Technology Capital Group, LLC funding
- Refinancing of the Abundance bonds due for repayment in June 2022
- Timing of the repayment of EU grant funding

The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) at the reporting date. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.3 Business combinations

The acquisitions 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. 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 classified as an asset or a liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, or IFRS 9 *Financial Instruments*, is measured at fair

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value 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 IFRS are recognised at their fair value at the acquisition date, except that:

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

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, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

Investment in joint venture (equity -accounted investee)

A joint venture is an arrangement in which the Group has joint control, whereby the Group has a rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interest 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. If the equity-accounted investee subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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.

Financial assets

All financial assets are recognised and de-recognised on the 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 and 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 any allowance for expected credit losses. Interest is recognised by applying the effective interest method, except for short-term receivables where the recognition of interest would be immaterial. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Cash and cash equivalents

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

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

Impairment of financial assets

IFRS 9 requires the Group to recognise an allowance for expected credit loss ("ECLs") for financial assets measured at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Additional information about how the company measures the allowance for impairment is described in note 28.

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 finance costs (see Note 2.14).

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 the loss allowance determined in accordance with section 5.5 of IFRS 9, and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.5 Property, plant and equipment

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

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 discounted costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

The power plant assets are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed at such regularity on this class of assets so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase is recognised in other comprehensive income and accumulated in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such power plant, land and buildings and plant and machinery is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use. Depreciation is charged to the statement of profit or loss using the straight-line method over the estimated useful life of the asset on the following basis:

Leasehold improvements	-	20%
Plant, property and equipment	-	4% - 7%
Furniture, fixtures and equipment	-	25% - 33%
Computer equipment and software	-	25% - 33%
Motor vehicles	-	20%
Power plant	-	4% - 6 %

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Freehold land is stated at cost, less any subsequent accumulated impairment losses.

2.6 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 expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Intellectual property

Intellectual property is measured initially at purchase cost. 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 (see note 13).

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Amortisation

Subsequent to initial recognition, each class of intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the expected estimated useful life of that class of asset. 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.

2.7 Impairment of non-financial assets

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, testing for impairment is undertaken.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, a previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually.

2.8 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. If the effect of the time value of money is material, discounting is applied.

Provision for decommissioning is recognised when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value using a risk-free rate, and is re-assessed each year. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

2.9 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 26. 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 behavioural considerations.

2.10 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.

2.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, 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 from power generation sales and the associated Renewables Obligation Certificates (ROCs) are recognised based on the quantity of electricity exported and the contracted rate on the date of generation.

ROCs are awarded to the Group from Ofgem based on generation of power. These ROCs are sold on receipt of certificates from Ofgem allowing transfer of title. The amount of revenue recognised on sale is in accordance with a contractual agreement where the pricing is based on Ofgem's minimum ROC value (the buy-out).

2.12 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.

2.13 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 the 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.

2.14 Finance costs and income

Finance costs comprise interest expense on borrowings. 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.

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

2.15 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the interest rate implied in the lease agreements, or if that rate cannot be readily determined, the Group's incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (eg. changes to future payments resulting from a change in an index or rate used to determine such lease payments), or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., individually below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2.16 Segment reporting

The Group is currently focused on generating energy from renewable power generation projects, development of these projects, and in developing its turbines for installation in tidal projects. It currently considers its business as three operating segments: power generation; turbine and engineering services; and project development.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

Recoverability of property, plant and equipment and investment in subsidiaries

The Group tests its property, plant and equipment related to the MeyGen project and SUP, annually for impairment, or more frequently if there are indicators that it might be impaired. The Company also tests its investment in subsidiaries for impairment where indicators of impairment exists. The recoverable amounts for the Group's property, plant and equipment and the Company's investment is subsidiaries are supported by the estimated value-in-use of these assets. The value-in-use is calculated using a net present value cash flow model which compares the costs of completing each of the respective projects, including financing costs, with expected revenues, net of operating and maintenance expenditure, over its operating life.

The key assumptions used to determine the MeyGen project's value-in-use are the expected capital costs to develop the project, the financing structure and cost, forecast operating and maintenance costs, revenue per MWh and the discount rate to calculate present values. The model is based on probability and risk weighted sensitised cash flows using discount rates ranging from 8.5% to 13%. Capital and operating and maintenance costs are based upon experience gained from the development and recent fully operational phase of MeyGen 1A. Estimated savings have been factored in to take account of scaling up both the capacity and numbers of the turbines needed for the development of the entire project. These saving are based upon the same principles as those achieved by the more advanced land based and offshore wind industry.

The key assumptions used to determine SUP's value-in-use are the expected capital costs to develop the project, the financing structure and cost, forecast operating and maintenance costs, revenue per MWh and the discount rate to calculate present values. The model is based on probability and risk weighted sensitised cash flows using discount rates ranging from 8.5% to 13%. Capital and operating and maintenance costs are based upon experience gained from prior SUP operations as well as various FEED studies completed by the Group to date.

The recoverable amounts were determined to be in excess of the carrying values of both the property, plant and equipment and investment in subsidiaries and accordingly no impairment loss has been recognised. The recoverable amount is most sensitive to changes in capital and operating costs, discount rate and revenue per MWh and adverse movements in excess of 10% in relation to each could result in the carrying value of property, plant and equipment and investment in subsidiaries being 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.

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

Recoverability of intangible assets

The Group tests its intangible assets as detailed in note 11 annually for impairment, or more frequently if there are indicators that they might be impaired. The recoverable amount is determined using value-in-use calculations for each separate cash generating unit.

The value-in-use is determined by discounting expected future cash flows. The cash flow forecast are based on probability and risk weighted sensitised cash flow forecasts using discount rates ranging from 8.5% to 13%.

For the license, turbine technology and intellectual property CGU the value in use is based upon an estimate of cash flows to be generated from forecast turbine sales volumes, sales price and achievable margin. The key assumption is the forecast turbine sales, which is based upon those sales expected to be generated internally and reasonably possible external sales which are estimated from current negotiations and opportunities that the Group is pursuing.

The recoverable amount of the Group's intangible assets was determined to be in excess of the carrying value and accordingly no impairment loss has been recognised. The recoverable amount is most sensitive to changes in capital costs, discount rate and revenue per MWh and adverse movements in excess of 20% in relation to each could result in the carrying value of intangible assets being impaired.

Provision for decommissioning costs

Provision for decommissioning costs is recognised as an amount equal to the directors' best estimate of the expenditure required to settle the Group's obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and risk specific to the liability. The unwinding of the discount is recognised as a finance cost.

The SUP power station decommissioning provision is the present value of the best estimate of direct costs that may be incurred to restore the site of the SUP power station to a condition that complies with applicable legislation, which is anticipated to take place in approximately 2042. The provision was recognised on acquisition of SUP in 2018 and conversion of the financial statements to IFRS. A formal review of the provision value was in progress when COVID-19 erupted and led to no contractors being allowed onsite to complete the review of works required. Based on the preliminary review of works required, and updated desktop reports by independent contractors, management expect that the decommissioning provision will materially decrease however as this cannot yet be formally substantiated the brought forward provision value remains.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. REVENUE

	Group	
	2020 £'000	2019 £'000
Consulting fees	**6,553**	123
Operation and Maintenance Contracts	**2,487**	551
Power sales	**3,194**	4,185
	12,234	4,859

Power sales includes associated revenue from ROCs.

5. OTHER INCOME

	Group	
	2020 £'000	2019 £'000
Interest income	**3**	16
Grant income	**274**	1,313
Other income	**857**	527
Insurance proceeds	**140**	–
	1,274	1,856

Other income relates to research and development expenditure credits.

6. EMPLOYEE BENEFITS EXPENSE

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

	Group	
	2020 Number	2019 Number
Average number of employees (including executive directors)	**96**	88

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages, salaries and other short term benefits	**4,762**	5,179
Social security costs	**585**	569
Share-based payments (Note 26)	**71**	81
Contributions to defined contribution plan	**559**	424
Other related costs	**103**	94
	6,080	6,347

During 2020, the Group received £0.4m under the UK government COVID-19 furlough scheme.

7. FINANCE COSTS

	Group	
	2020 £'000	2019 £'000
Interest expense arising from:		
– loans from a related party	**311**	299
– long term loans	**308**	297
– secured long term loans	**1,310**	1,347
– long term debentures	**1,099**	849
– lease liabilities	**119**	88
Unwinding of discount on decommissioning provision	**195**	257
Other finance costs	**547**	511
	3,889	3,648

8. TAX (EXPENSE)/CREDIT

	Group	
	2020 £'000	2019 £'000
Tax (expense)/credit	**(263)**	787

As a result of the Company's management and control moving from Singapore to the United Kingdom on 1 January 2016, the Company became tax resident of the United Kingdom and all filing requirements are met in both jurisdictions.

In the United Kingdom, the applicable rate of tax is computed at 19% (2019: 19%). As a result of the Finance Bill 2021 the future tax rate in the United Kingdom is set to increase to 25% from 1 April 2023.

Singapore domestic income tax is calculated at 17% (2019: 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2020 £'000	2019 £'000
Reconciliation of effective tax rate		
Loss before tax	**(19,421)**	(36,206)
Tax at the domestic rates applicable to losses in the country concerned	**(3,552)**	(6,871)
Non-allowable items at rates concerned	**1,921**	4,900
Non-taxable income at rates concerned	**(35)**	(43)
Tax effect of deferred tax asset not recognised	**1,666**	2,014
Tax effect of unwinding deferred tax fair value adjustment on business combinations (note 22)	**156**	120
Release deferred tax liability	**–**	667
Income tax payable	**(25)**	–
tax effect of rate change on deferred tax (note 22)	**(394)**	–
	(263)	787

8. TAX (EXPENSE)/CREDIT continued

At the end of the reporting period, the Group has unutilised tax losses of £166.1 million (2019: £156.6 million) available for offset against future profits. The amount of the Company's unutilised tax losses available for offset against future profits is £30.7 million (2019: £28.9 million). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Included in the Group and Company losses are £27.3 million (2019: £27.3 million) of losses relating to Singapore corporation tax, which will only be utilised against taxable income realised in Singapore.

9. LOSS FOR THE YEAR

The following items have been included in arriving at loss for the year:

		Group	
	Note	**2020 £'000**	2019 £'000
Depreciation of property, plant and equipment	10	**8,628**	8,593
Depreciation of right-of-use assets	12	**352**	355
Amortisation of intangible assets	11	**1,644**	1,531
Auditor's remuneration			
- Audit and audit related fees		**333**	256
- Non audit fees		**–**	20
Share-based payments	26	**71**	81
Loss on disposal of Intangible Seabed Options	11	**–**	16,085
Operating lease expenses	12	**6**	12
Net foreign exchange losses		**289**	35

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land £'000	Leasehold improvements £'000	Plant, property & equipment £'000	Furniture, fixture and equipment £'000	Motor vehicles £'000	Computer equipment and software £'000	Project-under-construction £'000	Power plant £'000	Total £'000
Cost									
At 1 January 2019	20	87	67,073	109	12	65	–	81,107	148,473
Acquisition through business combinations (Note 13)	–	–	9	9	20	–	–	–	38
Additions	–	–	834	15	23	39	–	1,712	2,623
Disposals	–	–	–	–	–	(23)	–	–	(23)
At 31 December 2019	20	87	67,916	133	55	81	–	82,819	151,111
Additions	–	–	2,996	6	22	5	–	1,998	5,027
Reimbursed by grants	–	–	(1,629)	–	–	–	–	–	(1,629)
At 31 December 2020	**20**	**87**	**69,283**	**139**	**77**	**86**	**–**	**84,817**	**154,509**
Accumulated depreciation									
At 1 January 2019	–	15	2,862	97	5	49	–	3,198	6,226
Depreciation for the year	–	9	2,676	10	13	14	–	5,871	8,593
Disposals	–	–	–	–	–	(23)	–	–	(23)
At 31 December 2019	–	24	5,538	107	18	40	–	9,069	14,796
Depreciation for the year	–	9	2,693	19	13	17	–	5,877	8,628
At 31 December 2020	**–**	**33**	**8,231**	**126**	**31**	**57**	**–**	**14,946**	**23,424**
Carrying amounts									
At 1 January 2019	20	72	64,211	12	7	16	–	77,909	142,247
At 31 December 2019	20	63	62,378	26	37	41	–	73,750	136,315
At 31 December 2020	**20**	**54**	**61,052**	**13**	**46**	**29**	**–**	**69,871**	**131,085**

(a) Project-under-construction

In 2020, MeyGen was awarded £1.545 million from the Scottish Government's Saltire Tidal Energy Challenge Fund and £0.1 million from Highlands and Islands Enterprise to develop and install a subsea tidal turbine connection hub. Prior to the 2020 award, aggregate grants of £13.3 million, comprising a £10 million grant from the United Kingdom's Department of Energy and Climate Change, and two grants from Scotland's Highlands and Islands Enterprise totalling £3.3 million, were awarded to MeyGen 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.

(b) Security

At 31 December 2020, assets of subsidiaries with carrying amounts of £60.5 million (2019: £62.4 million) were pledged as security on long term loans (Note 21(d)).

11. INTANGIBLE ASSETS

Group	Global technology licence £'000	Intellectual property £'000	Development costs £'000	Seabed options £'000	Tidal data £'000	Customer Contracts £'000	Total £'000
Cost							
At 1 January 2019	8,223	3,133	16,025	16,085	1,465	–	44,931
Acquisition through business combinations (Note 13)						1,938	1,938
Disposals				(16,085)			(16,085)
Exchange differences	–	–	(38)	–	–	–	(38)
At 31 December 2019	8,223	3,133	15,987	–	1,465	1,938	30,746
Exchange differences	–	–	55	–	–	–	55
At 31 December 2020	**8,223**	**3,133**	**16,042**	**–**	**1,465**	**1,938**	**30,801**
Accumulated amortisation and impairment							
At 1 January 2019	4,275	306	7,597	–	–		12,178
Amortisation for the year	494	38	999	–	–	–	1,531
Exchange differences	–	–	(21)	–	–	–	(21)
At 31 December 2019	4,769	344	8,575	–	–	–	13,688
Amortisation for the year	495	38	997	–	–	114	1,644
Exchange differences	–	–	35	–	–	–	35
At 31 December 2020	**5,264**	**382**	**9,607**	**–**	**–**	**114**	**15,367**
Carrying amounts							
At 1 January 2019	3,948	2,827	8,428	16,085	1,465	–	32,753
At 31 December 2019	3,454	2,789	7,412	–	1,465	1,938	17,058
At 31 December 2020	**2,959**	**2,751**	**6,435**	**–**	**1,465**	**1,824**	**15,434**

11. INTANGIBLE ASSETS continued

Company	Intellectual property £'000	Development costs £'000	Total £'000
Cost			
At 1 January 2019, 31 December 2019 and 31 December 2020	**573**	**3,347**	**3,920**
Accumulated amortisation			
At 1 January 2019	306	1,785	2,091
Amortisation for the year	38	223	261
At 31 December 2019	344	2,008	2,352
Amortisation for the year	38	223	261
At 31 December 2020	**382**	**2,231**	**2,613**
Carrying amounts			
At 1 January 2019	267	1,562	1,829
At 31 December 2019	229	1,339	1,568
At 31 December 2020	**191**	**1,116**	**1,307**

(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.

The Group estimated that the technology has a useful life of approximately 15 years with approximately 6 years remaining.

(b) Intellectual property

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

The Group estimated that the intellectual property costs have a useful life of approximately 15 years with approximately 12 years remaining.

(c) Development costs

Development costs include expenditure relating to 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 between approximately 15 and 25 years with between 5 to 22 years remaining.

(d) Seabed options

Seabed options related to options that allowed the Group to enter into a 25-year lease to use the seabed for development and operation of the tidal stream energy projects. In 2019 the Group relinquished agreement for lease ("AFL") seabed options with book value of £6.1 million to The Crown Estate, and disposed of options with book value £10m which expired with The Crown Estate Scotland in 2020.

(e) Tidal data

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

11. INTANGIBLE ASSETS continued

(f) Customer contracts

Customer contracts relates to the fair value of customer contracts recognised on acquisition of GHR in October 2019 (note 13). The contracts relate to the operations and maintenance of 13 hydro schemes with terms up until March 2037. The intangible asset has 16 years remaining and is being amortized over the life of the contracts.

12. LEASES

As a Lessee

The Group has lease contracts for land and buildings and IT equipment. Leases of land and buildings generally have lease terms between 5 and 100 years while office equipment has lease terms of 3 years. Land and buildings have a remaining useful life between 1-93 years. The Group has certain leases of office equipment of low value. The Group applies the 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amount of right-of-use assets recognised and the movements during the period:

	Land and Buildings £'000	Office Equipment £'000	Total £'000
At 1 January 2019	1,716	14	1,730
Additions as a result of business combinations (note 13)	61	–	61
Depreciation expense	(348)	(7)	(355)
As at 31 December 2019	1,429	7	1,436
Additions *	642	–	642
Depreciation expense	(345)	(7)	(352)
RPI rate change	13		13
As at 31 December 2020	**1,739**	**–**	**1,739**

* includes prepaid rent of £43k included within lease payment in the cashflow

Set out below are the carrying amount of lease liabilities and movements during the period:

	2020 £'000	2019 £'000
At 1 January	**1,367**	1,636
Additions as a result of business combinations (note 13)	**–**	63
Additions	**599**	
Accretion of interest	**119**	88
Payments	**(421)**	(420)
RPI rate change	**13**	–
As at 31 December	**1,677**	1,367
Current	**327**	276
Non-current	**1,350**	1,091

The maturity analysis of lease liabilities is disclosed in note 28(b).

12. LEASES continued

The following are the amounts recognised in the profit or loss:

	2020 £'000	2019 £'000
Depreciation expense of right-of use assets	**352**	355
Interest expense on lease liabilities	**119**	88
Expense relating to leases of low value assets (included in other operating expenses)	**4**	4
Variable lease payments (included in other operating expenses)	**2**	8
As at 31 December	**477**	455

The Group had total cash outflows for leases of £0.5 million (2019: £ 0.5 million), including prepayment of rents for new leases entered during the year (2019: nil). The Group also had non-cash additions to right-of-use assets and lease liabilities of £0.6 million (2019: nil).

The Group has leases which contain variable lease payment terms that are linked to power generation. Variable lease payments had the following effect:

	2020 £'000	2019 £'000
Fixed rent	**12**	12
Variable payment	**2**	8
Total payment	**14**	20

Overall the variable payments constitute 1% (2019: 2%) of the Group's entire lease payments. The variable lease payments depend on generation, and whilst the Group expects the ratio to remain constant in future years, a 5% increase in variable payments would result in a £2k increase to lease payments.

As a Lessor

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Within one year	**–**	–	**–**	–
Between two and five years	**–**	–	**–**	–
More than five years	**96**	97	**–**	–
	96	97	**–**	–

One of the subsidiaries of the Group, SUP, leases excess land available at the power station site to a related party, SIMEC Power 4 Limited. The lease is agreed on a 999 year basis and includes a lease premium of £1.5 million, which is recognised in advanced receipts (Note 19).

13. INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries	Company 2020 £'000
Unquoted equity shares, at cost	
1 January	**63,975**
Movement	**65**
31 December	**64,040**

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ registration and operation	Proportion of ownership interest and voting power held 2020 %	2019 %
SIMEC GHR Limited[c]	Provision of hydro development, project management and operations & maintenance services	United Kingdom	**100**	100
Atlantis Turbines Pte. Limited[3]	Investment holding	Singapore	**100**	100
Atlantis Energy Pte Limited[1][6]	Dormant	Singapore	**–**	100
Atlantis Licensing Pte Limited[1][6]	Dormant	Singapore	**–**	100
Atlantis Projects Pte. Ltd.[3]	Investment holding	Singapore	**100**	100
Atlantis Resources (Gujarat Tidal) Pte Limited[1][7]	Dormant	Singapore	**50**	50
ARC Operations Pty Limited[4]	Provision of operational services to the Group	Australia	**100**	100
Atlantis Resources (Scotland) Limited[5]	Provision of project management and consulting services	United Kingdom	**100**	100
Atlantis Ocean Energy plc[5]	Financial services	United Kingdom	**100**	100
Atlantis Future Energy plc[5]	Financial services	United Kingdom	**100**	100
SIMEC Uskmouth Power Limited[5]	Development of renewable energy generation project	United Kingdom	**100**	100

Name of subsidiary held by Atlantis Projects Pte. Limited

Tidal Power Scotland Limited[5]	Investment holding	United Kingdom	**92**	92
Stroma Tidal Power Limited[5]	Development of tidal power generation project	United Kingdom	**100**	100
Wide Range Developments Limited[1]	Dormant	United Kingdom	**100**	100
SIMEC Atlantis GHR Limited[6]	Investment holding	United Kingdom	**–**	100

13. INVESTMENTS IN SUBSIDIARIES continued

Name of subsidiary	Principal activities	Country of incorporation/ registration and operation	Proportion of ownership interest and voting power held 2020 %	2019 %
Name of subsidiary held by Tidal Power Scotland Limited				
MeyGen Holdings Limited[5]	Investment holding	United Kingdom	**83**	83
Islay Holdings Limited[5][8]	Investment holding	United Kingdom	**100**	100
Duncansby Tidal Power Limited[1]	Dormant	United Kingdom	**100**	100
Name of subsidiary held by MeyGen Holdings Limited				
MeyGen PLC[2][5]	Development of tidal power generation project	United Kingdom	**100**	100
Name of subsidiary held by Islay Holdings Limited				
Islay Tidal Power Limited[5][8]	Development of tidal power generation project	United Kingdom	**100**	100
Name of subsidiary held by Atlantis Turbines Pte Limited				
Atlantis Operations (UK) Limited[5]	Provision of operational services to the Group	United Kingdom	**100**	100
Marine Current Turbines Limited[5]	Development of turbines and projects	United Kingdom	**100**	100
Name of subsidiary held by Atlantis Operations (UK) Limited				
Atlantis Operations Japan Good Kaisha[4]	Provision of operational services to the Group	United Kingdom	**100**	100
Name of subsidiary held by Marine Current Turbines Limited				
Sea Generation Limited[5]	Development of tidal power generation project	United Kingdom	**100**	100
Sea Generation (Wales) Limited[6]	Dormant	United Kingdom	**–**	100
Sea Generation (Kyle Rhea) Limited[6]	Dormant	United Kingdom	**–**	100
Sea Generation (Brough Ness) Limited[6]	Dormant	United Kingdom	**–**	100

(1) Not required to be audited as the subsidiaries are dormant.
(2) As at 31 December 2020 and 31 December 2019, shares in MeyGen PLC were pledged as security on long term loans (see note 21).
(3) Audited by EY LLP, Singapore.
(4) Not required to be audited by law in its country of incorporation.
(5) Audited by EY LLP, United Kingdom.
(6) Company was dissolved during 2020
(7) Atlantis has control over the entity through shareholder voting rights
(8) On 31 March 2021, Tidal Power Scotland Limited signed heads of terms to sell Islay Holdings Limited and its subsidiary Islay Tidal Power Limited. Neither entity is material to the Group.

13. INVESTMENTS IN SUBSIDIARIES continued

(a) Share-based payments

During the financial year, share-based payments granted by the Company to the employing subsidiaries, Atlantis Resources (Scotland) Limited ("ARSL"), Marine Current Turbines Limited ("MCT"), SIMEC Uskmouth Power Limited ("SUP") and Atlantis Operations (UK) Limited ("AOU") resulted in an increase to the deemed investments by the Company in those subsidiaries totalling £65,000 (2019: £64,000).

(b) Non-controlling interest in subsidiaries

Tidal Power Scotland Limited ("TPSL")

As at 31 December 2020 and 31 December 2019, Scottish Power Renewables ("SPR") has an equity investment of 6% of the shareholding in TPSL.

The Group retains the remaining 92% shareholding of TPSL.

MeyGen Holdings Limited ("MGHL")

As at 31 December 2020 and 31 December 2019, Scottish Enterprise, as administrator of the Renewable Energy Investment Fund, had made an equity investment of £12.1 million in MGHL, while the Company, via Atlantis Projects Pte Ltd ("APPL") and TPSL, had subscribed for a total of £9.7 million in new shares of MGHL. As a result, Scottish Enterprise has a 16.55% shareholding in MGHL, with APPL retaining the remaining shareholding of 83.45% via TPSL.

The following table summarises the information relating to the material non-controlling interest ("NCI") in MeyGen PLC, 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.

	Group	
	2020 £'000	2019 £'000
NCI percentage	**23%**	23%
Non-current assets	**61,158**	62,938
Current assets	**3,615**	3,364
Non-current liabilities	**(37,770)**	(33,972)
Current liabilities	**(2,419)**	(5,143)
Net assets	**24,584**	27,187
Net assets attributable to NCI	**5,710**	6,315
Cash flows from/(used in) operating activities	**1,697**	944
Cash flows used in investing activities	**(901)**	(2)
Cash flows used in financing activities	**(497)**	(1,457)
Net increase/(decrease) in cash and cash equivalents	**299**	(515)

13. INVESTMENTS IN SUBSIDIARIES continued

	2020 £'000	2019 £'000
Loss for the year	**(2,603)**	(2,351)
Total comprehensive income	**(2,603)**	(2,351)
Attributable to NCI:		
Loss for the year	**(605)**	(547)
Total comprehensive income	**(605)**	(547)

(c) Acquisition of SIMEC GHR Limited ("GHR")

In the prior reporting period, on 31 October 2019, the Company successfully completed the acquisition of the whole of the issued share capital of GHR, a company incorporated in the United Kingdom, from SIMEC GHR Acquisitions Topco Limited a subsidiary of SIMEC Energy ("SIMEC"), a member of the GFG Alliance. The acquisition was undertaken to further diversify the Group's energy platform and combine the project management and delivery expertise of the two companies whilst bringing positive revenue streams to the Group.

Consideration for the purchase of the share capital was £1. The acquisition-related costs amounting to £1.1 million excluded from the consideration transferred were included in the cost of investment. £1.0 million of expenses were recognised in the consolidation statement of comprehensive income in 2019. The balance of £0.1 million was incurred during 2018. The acquisition-related costs were expensed in the Group consolidated results; at Company level, they were capitalised in the cost of the investment.

A purchase price allocation was conducted to determine the valuation of the acquisition resulting in a fair value adjustment to intangible assets. The following summarises the identifiable assets acquired and liabilities assumed at the acquisition date at their fair value:

	Book value before business combination £'000	Fair value adjustment £'000	Fair value £'000
Non-current assets			
Intangibles	–	1,938	1,938
Property, plant and equipment	38	–	38
Right-of-use assets	61	–	61
Current assets			
Trade and other receivables	1,550	–	1,550
Cash and cash equivalents	423	–	423
Current liabilities			
Trade and other payables	(690)	–	(690)
Lease liabilities	(63)	–	(63)
Total net assets	1,319	1,938	3,257
Purchase consideration (£1)			0
Cash held in subsidiary			423
Cash inflow on acquisition			**423**

13. INVESTMENTS IN SUBSIDIARIES continued

Intangible Assets

Intangible assets refer to GHR customer contracts. GHR has non-terminable customer contracts for the operations and maintenance of 13 hydro schemes up until March 2037. The fair value was determined after taking into account the potential sales revenue arising from these contracts and the associated cost of the contracts discounted at a rate of 11.6%. At the date of acquisition, the fair value of the customer contracts amounted to £1.9 million.

Deferred tax

As a result of the recognition of the Intangible assets a deferred tax liability has been recognised of £0.3 million (Note 22).

Bargain purchase price arising on business combination at 31 October 2019

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

	£'000
Total consideration transferred (£1)	–
Fair value of identifiable net assets	2,928
Bargain purchase	2,928

14. INVESTMENT IN JOINT VENTURE

On 22 December 2020 Atlantis Projects Pte Ltd, a Group subsidiary entered into a Joint Venture agreement with N&P Holdings 2, a subsidiary of N+P Group to create NPA Fuels Ltd ("NPA") a company domiciled in the UK. Each partner has a 50% interest in the joint venture. The purpose of the joint venture is to principally be involved in the marketing, production and delivery of waste derived fuel pellets to convert coal fired power stations throughout the UK. The cost of investment is £494,000.

The Groups interest in NPA is accounted for using the equity method in the consolidated financial statements due to the terms of the joint venture agreement. In 2020, no profit or loss was recognised due to the limited trading period of NPA. The financial statements of NPA are prepared under IFRS in GBP. The joint venture is not currently material to the group and hence no further disclosures have been prepared.

On 3 July 2019 Wide Range Developments Limited, a group subsidiary entered into a Joint Venture agreement with Normandie Participations and Efinor to create Normandie Hydroliennes ("NH") a company domiciled in France. The purpose of the joint venture is to commence site development, permitting and consenting work to allow for the construction of a phased array of tidal energy projects.

The Group has a 51% interest in NH resulting from €76,000 (£70,000) investment in the share capital of the joint venture. The Group's interest in NH is accounted for using the equity method in the consolidated financial statements due to the terms of the joint venture agreement resulting in £nil gain or loss on equity accounted investee in 2020 (2019: £23,000 loss), resulting in value of investment at 31 December 2020 remaining at £47,000. NH financial statements are prepared under IFRS in Euros. The financial statements have been translated into GBP in line with the Group foreign currencies policy in Note 2.1. The joint venture is not material to the Group and hence no further disclosures have been prepared.

15. LOANS RECEIVABLE

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Loans to subsidiaries:				
– Interest-bearing[(a)]	**–**	–	**1,219**	1,154
– Non-interest bearing[(b)]	**–**	–	**11,075**	11,075
Loans receivable	**–**	–	**12,294**	12,229

(a) The Company has provided a loan to MeyGen PLC 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 APPL, which is interest-free and unsecured. The loan is repayable on demand. Management has no current intention to recall this loan in the foreseeable future.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables	**1,284**	866	**–**	106
Deposits	**178**	189	**3**	–
Accrued revenue	**684**	1,141	**–**	–
Other receivables	**760**	1,180	**–**	–
Amounts due from a related party	**–**	4,030	**–**	4,030
Non-trade receivables due from subsidiaries	**–**	–	**67,474**	56,360
Less:				
Expected credit loss	**(390)**	–	**(17,580)**	(14,979)
Financial assets at amortised cost under IFRS 9	**2,516**	7,406	**49,897**	45,517
Prepayments	**700**	390	**84**	65
Value added tax recoverable	**–**	34	**49**	33
	3,216	7,830	**50,030**	45,615
Non-current	**–**	–	**49,893**	41,381
Current	**3,216**	7,830	**137**	4,234
	3,216	7,830	**50,030**	45,615

The non-current receivables due from subsidiaries are unsecured, interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. The balances are stated at cost less impairment losses, if any.

During 2020, amounts due from shareholder SIMEC in relation to consideration shares issued March 2019 was repaid in full (note 23).

At the end of the reporting period, the Company had a provision for expected loss allowance of £17.6 million (2019: £14.9 million) in relation to balances receivable from subsidiaries as recovery of the amounts due is not considered probable. No other expected credit loss has been recognised.

The Group's and the Company's exposure to credit and currency risks are as set out in Note 28.

17. INVENTORY

	Group 2020 £'000	Group 2019 £'000
Inventory	**861**	864

Inventory acquired in 2018 as a result of the acquisition of SUP relates to spare parts and consumables. Since March 2018, inventory has been held at 50% cost based on the uncertainty around the usability of spares and consumables post conversion.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash at bank	**4,313**	3,600	**732**	121
Fixed deposits	**1,499**	919	**–**	–
Cash on hand	**2**	2	**–**	–
Cash and cash equivalents in the statements of financial position	**5,814**	4,521	**732**	121
Less: Encumbered deposits	**(1,499)**	(919)	**–**	–
Cash and cash equivalents in the statement of cash flows	**4,315**	3,602	**732**	121

The encumbered deposits serve as collateral on behalf of MeyGen PLC and Atlantis Operations (UK) Limited. MeyGen's deposit supports 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). Atlantis Operations (UK) Limited's deposit supports the provision of bank guarantees in relation to the Japanese contract and Grant guarantees. The bank guarantee in relation to the Japanese contract was released in Q1 2021. The Group's exposure to interest rate risks is described in Note 28.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade payables	**1,423**	1,505	**234**	501
Other payables	**3,799**	1,077	**27**	5
Accruals	**706**	896	**307**	237
Non-trade payables due to subsidiaries	**–**	–	**9,803**	9,515
Other financial liabilities	**5,928**	3,478	**10,371**	10,258
Advanced receipts	**2,086**	5,971	**–**	–
Value added tax payable	**16**	–	**–**	–
Corporate tax payable	**25**	–	**–**	–
	8,055	9,449	**10,371**	10,258

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

19. TRADE AND OTHER PAYABLES continued

Other payables includes £3.5 million relating to grant income previously received for which no future claims will be made and therefore will be repaid. Advanced receipts include deferred grant income of £0.1 million (2019: £2.9 million), deferred revenue £0.8 million (2019: £1.6 million) and the lease premium of £1.5 million (2019: £1.5 million) received as part of the acquisition of SUP in 2018. Deferred grant income relates to future projects to design, build and operate turbine arrays to further demonstrate the technical and commercial viability of tidal stream.

The Group's and the Company's exposure to currency and liquidity risks related to trade and other payables are described in Note 28.

20. PROVISIONS

	Group			Company
	Provision for decommissioning costs £'000	Other provision £'000	Total £'000	Other provision £'000
At 1 January 2020	14,564	95	14,659	41
Provision made during the year	212	–	212	–
Provision utilised during the year	(3)	(8)	(11)	–
Remeasurement of provision	(67)	53	(14)	53
Unwinding of discount on decommissioning provision	195	–	195	–
At 31 December 2020	**14,901**	**140**	**15,401**	**94**
Non current	14,879	–	14,879	–
Current	22	140	162	94
	14,901	**140**	**15,041**	**94**

Provision for decommissioning costs
The provision for decommissioning costs includes the present value of the best estimate of direct costs that may be incurred to remove turbine foundations from the seabed and the decommissioning of the SUP power station.

During 2019, Sea Generation Limited's project at Strangford Lough, Northern Ireland was successfully decommissioned. The remaining turbine seabed foundations relate to the MeyGen project located in the Inner Sound of the Pentland Firth, which are anticipated to be decommissioned in 2043.

The SUP power station provision is the present value of the best estimate of direct costs that may be incurred to restore the site of the SUP power station to a condition that complies with applicable legislation, which is anticipated to take place in approximately 2043. The provision is based upon an estimate of the timing and current cost of this exercise, adjusted for the effects of inflation and discounted to present value using an appropriate discount rate. A 5% increase in the estimate of current cost would increase the recorded provision by approximately £0.65m in each financial year, a 0.1% increase in estimated inflation would increase the recorded provision by approximately £0.3m in each financial year and a 0.1% increase in discount rate would decrease the recorded provision by approximately £0.3m in each financial year.

Other provisions
The other provision represents short term provisions for payroll liabilities anticipated to be settled during 2021.

21. LOANS AND BORROWINGS

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

		Group		Company	
	Note	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Current loans and borrowings					
Convertible loan	(f)	**1,725**	–	**1,725**	–
Secured long term loans	(d)	**1,681**	2,532	–	–
Loans from a related party	(b)	**2,082**	2,027	**–**	–
Financial guarantees		**–**	–	**108**	119
		5,488	4,559	**1,833**	119
Non-current loans and borrowings					
Loan from a subsidiary	(a)	**–**	–	**408**	392
Loans from a related party	(b)	**5,522**	5,139	**–**	–
Long term loan	(c)	**5,522**	5,089	**–**	–
Secured long term loans	(d)	**18,643**	18,208	**–**	–
Long term debentures	(e)	**13,354**	12,226	**–**	–
		43,041	40,662	**408**	392
Total loans and borrowings		**48,529**	45,221	**2,241**	511

(a) Loan from a subsidiary

The loan from a subsidiary is denominated in British pounds, is interest-bearing with an interest rate of 5.0% per annum, unsecured and is due for repayment in 2021. The fair value of the loan at the end of the reporting period was approximately £0.4 million (2019: £0.4 million).

(b) Loans from a related party

Loans from Morgan Stanley Capital Group Inc. ("MSCGI") totalling £5.5 million (2019: £5.1 million) are treated as related party loans, given that MSCGI is a related party of Morgan Stanley Renewables, a shareholder of the Company.

The loans from MSCGI are denominated in British pounds with an interest rate of 5.0% plus LIBOR, with floating interest rates in the range of 5.9% to 6.06% per annum, are unsecured and are repayable in February 2028. At the end of the reporting period, the carrying value of the loans approximate their fair value.

The loan from SIMEC Group Limited ("SIMEC") of £2.0 million (2019: £2.0 million) is treated as related party loan, given that SIMEC is a shareholder of the company. The loan was acquired on the acquisition of SUP in 2018. The loan is denominated in British pounds, interest free and repayable on earlier of financial close of the SUP project or 31 December 2021. In the earlier event of a share fundraise the loan is automatically converted into shares in the Company pursuant to compliance with the contractual relationship agreement requiring SIMEC Group to hold 49.9% or less of share capital in issue.

(c) Long term loan

The loan is denominated in British pounds, with a floating rate of interest in the range 5.9% to 5.06% per annum, is unsecured and is repayable in February 2028. At the end of the reporting period, the carrying value of the loan approximates its fair value.

21. LOANS AND BORROWINGS continued

(d) Secured long term loans

MeyGen PLC ("MeyGen")

In August 2014, as part of the Phase 1A MeyGen project financing, Scottish Enterprise (as administrator of the Renewable Energy Investment Fund) extended a loan of £7.5 million to MeyGen to finance the construction of the project. The Crown Estate Commissioners committed an investment of £9.8 million to MeyGen, also to finance the construction of the Phase 1A project, 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. During 2020 enhanced rent payments of £0.8 million (2019: £0.5 million) were paid.

The Scottish Enterprise loan and the Crown Estate investment to MeyGen are denominated in British pounds, and are repayable in the period from 2018 to 2027. The effective interest rates on these loans are in the range of 7% to 7.8% per annum. During 2020 £1 million (2019: £0.9 million) was repaid.

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

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

The Group's and the Company's exposures to interest rate, foreign currency and liquidity risks are described in Note 28.

(e) Long term debentures

On 25 July 2017, the Group, via its subsidiary company Atlantis Ocean Energy PLC, raised £5.0 million through a five-year bond with a coupon of 8% per annum, payable semi-annually, and maturing in 2022. The bond was offered through Abundance Investment Limited, the provider of a regulated green peer-to-peer investment platform.

In the period from April to June 2018, the Group, via its subsidiary company Atlantis Future Energy PLC, raised £5.0 million through a five-year bond with a coupon of 8% per annum, payable semi-annually, and maturing in 2023. This bond was offered through Abundance Investment Limited.

In the period from August 2019 to December 2019, the Group, via its subsidiary company Atlantis Future Energy PLC, raised £2.7 million through a five-year bond with a coupon of 8%, payable semi-annually, and maturing in 2024. This bond was offered through Abundance Investment Limited. The bond closed in February 2020, having raised £3.8 million with £1.05 million received during 2020.

(f) Convertible Loan

On 16 December 2020, Atlantis announced a share placing agreement with New Technology Capital Group LLC ("Investor"), a US based investor, in relation to the issuance of new ordinary shares in the Company to raise up to £12.0m. An initial investment of £2m was made during 2020, with a further tranche of £2m received in Q1 2021. Each investment made by the Investor will be made by way of prepayment for new Shares to be issued, at the Investors request. The number of placing shares to be issued in respect of each prepayment will be determined by dividing the gross value of the investment (or part thereof) by the average of the five daily volume-weighted average prices during a specified period immediately prior to the date of issuance of the new Shares ("placement price"), but subject to a floor price of £0.07. The placement price will be subject to five and ten per cent. discounts to such price in respect of placing shares issued subsequent to the dates that are nine and eighteen months, respectively, after the corresponding prepayment. In the event that the placement price is the floor price of £0.07, the Company may repay in cash (with a 5 per cent, premium) the amount of the investment for which placing shares would otherwise be issued at that price.

Transaction costs of £0.3 million are recognised over the term of the agreement as cost of equity.

21. LOANS AND BORROWINGS continued

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Loans and other borrowings	
	2020 **£'000**	2019 £'000
Balance as at 1 January	**45,221**	41,620
Proceeds from borrowings	**3,056**	2,730
Repayment of borrowings	**(1,753)**	(1,376)
Interest expense*	**3,028**	2,792
Interest paid	**(1,099)**	(849)
Capitalisation of loan issue costs	**(192)**	–
Amortization of loan costs*	**268**	304
Balance as at 31 December	**48,529**	45,221

* non-cash movements

22. DEFERRED TAX LIABILITIES

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

	Group £'000
1 January 2019	3,802
Unwind historic fair value adjustment	(120)
Release deferred tax liability	(667)
As a result of business combinations (Note 13)	329
At 31 December 2019	3,344
Unwind historic fair value adjustment	(156)
Effect of increase in tax rates	394
At 31 December 2020	**3,582**

The deferred tax liabilities were recognised due to the fair valuation of assets upon acquisition of MeyGen in 2013 and are unwinding over MeyGen 1A operating period. During 2019, £0.3 million was recognised as a result of the fair value adjustments on acquisition of GHR and unwinds over the life of the non-terminable operations and maintenance contracts. In 2020, the liability was adjusted to reflect the changes to future corporate tax rates from 17% to 19% as a result of the Finance Act 2020 substantial enacted at the reporting date.

23. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares with no par value '000	**£'000**
Issued and paid up during the year:		
At 1 January 2019	366,198	178,218
Public offerings issued for cash	31,439	5,030
Consideration shares issued for cash	31,439	5,030
Transaction costs incurred in relation to share issuance	–	(260)
At 31 December 2019	429,076	188,018
Public offerings issued for cash	62,500	7,500
Issue of shares other than cash	2,749	180
Transaction costs incurred in relation to share issuance	–	(323)
At 31 December 2020	**494,325**	**195,375**

On 11 August 2020 the Company raised £7.5 million, before expenses, through the placing of 62,499,999 new ordinary shares at a placing price of £0.12 per share.

Pursuant to the share placing agreement with New Technology Capital Group LLC ("Investor") announced on 16 December 2020, the Company issued 947,368 new ordinary shares in satisfaction of a commencement fee of £0.2m due to the Investor and 1,800,000 new shares for an aggregate subscription price of a nominal amount, to be applied against the new shares to be issued in the investments. The Company issued 1,900,000 warrants to the Investor with an exercise period of 36 months from the date of issue with an entitlement to subscribe for one new share per warrant at an exercise price of 30.371 pence per share. (see note 21(f) for further details).

During the year, £0.3 million (2019: £0.3 million) of expenses were incurred incidental to the issuance of shares.

During the prior year, on 28 March 2019, the Company raised £5 million, before expenses through the placing of 31.4 million new ordinary shares at a placing price of £0.16 per share. Simultaneously, prevalent to the SUP acquisition share purchase agreement dated 14 December 2017, the Group issued 31.4 million consideration shares at £0.16 per share (£5 million) to SIMEC UK Energy Holdings Limited. As at 31 December 2019, £4 million cash remained outstanding (note 16). The full amount was fully paid to the Company during 2020.

24. 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.

25. TRANSLATION RESERVE

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

26. SHARE OPTIONS

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

Long Term Incentive Plan ("LTIP")

In 2013, the Company approved an LTIP. During the year, 1.9 million share options were granted under the LTIP (2019: nil).

The options outstanding at 31 December 2019 have a weighted average contractual life of 7.49 years (2019: 7.29 years).

No options were exercised in 2020 and 2019.

Details of the share options outstanding are as follows:

Group and Company	Number of share options '000	Weighted average exercise price £
Outstanding at 1 January 2019	5,452	0.650
Lapsed	(2,115)	0.930
Outstanding at 31 December 2019	**3,337**	**0.473**
Granted during the year	1,860	0.308
Cancelled	(66)	0.500
Outstanding at 31 December 2020	**5,131**	**0.413**
Exercisable at 31 December 2020	**3,180**	**0.477**
Exercisable at 31 December 2019	**3,106**	**0.481**

The share options on issue as at the reporting date expire between 2025 and 2030.

In 2020 £0.1 million (2019: £2.6 million) was transferred from the share option reserve to accumulated losses upon cancellation/expiry of the share options.

Company Share Option Plan ("CSOP")

On 10 November 2016, the Company established a CSOP to offer share options to employees. During the year, no share options were granted under the CSOP (2019: £3.2 million).

The options outstanding at 31 December 2020 have a weighted average contractual life of 8.40 years (2019: 9.40 years).

No options were exercised in 2020 and 2019.

26. SHARE OPTIONS continued

Details of the share options outstanding are as follows:

Group and Company	Number of share options '000	Weighted average exercise price £
Outstanding at 1 January 2019	357	0.700
Granted during the year	3,200	0.200
Cancelled	(57)	0.700
Outstanding at 31 December 2019	3,500	0.240
Cancelled	(264)	0.23
Outstanding at 31 December 2020	3,236	0.240
Exercisable at 31 December 2020	1,036	0.340
Exercisable at 31 December 2019	300	0.700

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

	2020	2019
Fair value of options on date of grant	£0.02 ~ £0.10	£0.02
Share price	£0.18 ~ £0.23	£0.11
Exercise price	£0.20 ~ £0.50	£0.20
Expected volatility	55.87% ~ 62.48%	45.53%
Expected life	3 years	3 years
Risk free rate	0.29%	0.38%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Company's stock. 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 £0.1 million (2019: £0.1 million), related to equity-settled share-based payment transactions during the year and this is included as part of employee benefits expense (Note 6).

27. EARNINGS PER SHARE

The calculation of earnings per share is based on the loss after tax attributable to ordinary equity holders of the Company and on the weighted average number of ordinary shares in issue during each year.

	Total loss attributable to owners of the Company		Weighted average number of shares		Loss per share	
	2020 £'000	2019 £'000	**2020 '000**	2019 '000	**2020 £**	2019 £
Basic and diluted	(19,079)	(34,872)	453,637	414,262	(0.04)	(0.08)

	Company	
Weighted average number of ordinary shares	**2020 '000**	2019 '000
Issued ordinary shares at 1 January	429,076	366,198
Effect of public offerings issued for cash	24,486	24,032
Effect of consideration shares issued for cash	–	24,032
Effect of shares issued other than cash (note 23)	75	–
Weighted average number of shares at end of the year	453,637	414,262

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 the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

28. 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

Loans and receivables

Loans and receivables are detailed in section (d) below.

All balances are considered to be recoverable and are not past due. The total expected credit loss ("ECL") provision relating to loans and receivables for the Group is insignificant and the Company is £17.6 million (2019: £14.9 million). See notes 15 and 16 for further detail of loans and receivables balances.

Cash and cash equivalents

The Group held cash of £5.8 million at 31 December 2020 (2019: £4.5 million). Cash at bank is held with banks and financial institution counterparties that are licensed banks in the countries in which the Group operates and that are rated AA- based on Standard & Poor's ratings.

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

Guarantees

At 31 December 2020 and 2019, the Company issued guarantees to a lender in respect of credit facilities granted to a subsidiary (Note 31).

(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 2020 and 2019 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.

			Contractual cash flows			
Group	Notes	Carrying amount £'000	Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2020						
Financial liabilities						
Trade and other payables	19	5,928	5,928	5,928	–	–
Loans from a related party	21	7,604	9,763	2,082	–	7,681
Convertible Loan	21	1,725	–	–	–	–
Long term loan	21	5,522	7,681	–	–	7,681
Long term debentures	21	13,354	17,683	1,096	16,587	–
Secured long term loans	21	20,324	32,049	2,308	11,579	18,162
Lease liabilities	12	1,677	4,894	327	1,005	3,562
		56,134	**77,998**	**11,741**	**29,171**	**37,086**
2019						
Financial liabilities						
Trade and other payables	19	3,478	3,478	3,478	–	–
Loans from a related party	21	7,166	7,641	2,027	54	5,560
Long term loan	21	5,089	5,560	–	–	5,560
Long term debentures	21	12,226	15,870	1,013	14,857	–
Secured long term loans	21	20,740	33,191	2,532	11,510	19,149
Lease liabilities	12	1,367	4,532	279	660	3,593
		50,066	70,272	9,329	27,081	33,862

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

Company	Notes	Carrying amount £'000	Contractual cash flows: Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2020						
Financial liabilities						
Trade and other payables	19	10,372	10,372	10,372	–	–
Convertible Loan	21	1,725	–	–	–	–
Financial guarantees	21	108	3,500	3,500	–	–
Loan from a subsidiary	21	408	423	–	423	–
		12,613	14,295	13,872	423	–
2019						
Financial liabilities						
Trade and other payables	19	10,258	10,258	10,258	–	–
Financial guarantees	21	119	3,500	3,500	–	–
Loan from a subsidiary	21	392	423	–	423	–
		10,769	14,181	13,758	423	–

(c) Market risk

Currency risk

The Group transacts business in various foreign currencies, including the Australian dollar, Euro, United States dollar, Singapore dollar and Japanese YEN, 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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Australian dollars	3	4	9	7	–	–	70	37
Euros	24	76	5	583	4	4	–	–
United States dollars	–	1	–	–	1	1	–	–
Singapore dollars	–	7	31	62	7	7	28	58
Japanese Yen	562	54	881	321	–	–	–	–

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

Foreign currency sensitivity

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

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

	Group				Company			
	Equity		Profit and loss (before tax)		Equity		Profit and loss (before tax)	
	2019 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Australian dollars	**–**	–	**(1)**	–	**–**	–	**(7)**	(4)
Euros	**–**	–	**2**	(51)	**–**	–	**–**	–
United States dollars	**–**	–	**–**	–	**–**	–	**–**	–
Singapore dollars	**–**	–	**(3)**	(6)	**–**	–	**(3)**	(5)
Japanese Yen	**–**	–	**(32)**	(27)	**–**	–	**–**	–

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

Interest rate risk

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

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

For variable rate financial instruments, a change of 100 basis points (bps) in interest rate with all other variables held constant would increase/decrease profit/loss before tax by £0.1 million (2019: £0.1 million).

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 £125.2 million (2019: £132.9 million) and £117.1 million (2019: £113.2 million), 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 that is subject to loan restrictions and dividend distributions, such restrictions are complied with and capital relating to that subsidiary is ring fenced as required by these capital requirements. None of the other subsidiaries are subject to externally imposed capital requirements.

28. 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. The fair values of the financial instruments have been determined based on discounted future cash flows using Level 3 hierarchy, which are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

		2020		2019	
	Note	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Group					
Financial Assets					
Trade and other receivables	16	**2,516**		7,406	
Cash and cash equivalents	18	**5,814**		4,521	
Financial assets at amortised cost under IFRS 9		**8,330**		11,927	
Financial liabilities					
Trade and other payables	19	**5,928**		3,478	
Secured long term loans	21	**20,324**	20,999	20,740	20,320
Other loans and borrowings	21	**28,205**	28,205	24,481	24,733
Lease liabilities	12	**1,677**		1,367	
Liabilities at amortised cost		**56,134**		50,066	
Company					
Financial assets					
Loans receivable	15	**12,294**		12,229	
Trade and other receivables	16	**49,894**		45,517	
Cash and cash equivalents	18	**732**		121	
Financial assets at amortised cost under IFRS 9		**62,920**		57,867	
Financial liabilities					
Trade and other payables	19	**10,371**		10,258	
Loan from a subsidiary	21	**408**	401	392	401
Other loans and borrowings	21	**1,833**		119	
Liabilities at amortised cost		**12,612**		10,769	

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.

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

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, 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 using the discounted cash flow method which considers the present value of expected payment, discounted using a risk adjusted discount rate.

29. RELATED COMPANY AND RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Interest income from a subsidiary				
– MeyGen plc	**–**	–	**64**	65
Service fee income from a subsidiary				
– Atlantis Resources (Scotland) Limited	**–**	–	**157**	185
Service fee expense charged by a subsidiary				
– ARC Operations Pty Limited	**–**	–	**–**	–
Interest expense arising from related party				
– Morgan Stanley Capital Group Inc.	**310**	299	**–**	–
Interest expense arising from a subsidiary				
– Atlantis Resources (Scotland) Limited	**–**	–	**15**	15
Recharge of costs to related party				
– SIMEC Power 1 Limited	**100**	42	**–**	–
– SIMEC Subcoal Fuels Limited	**–**	184	**–**	–
– SIMEC Power 4 Limited	**226**	–	**–**	–
– Reimbursement of Non-Executive Director fees paid by SIMEC International (UK) Ltd	**41**	41	**–**	–
Lease premium charged to a related party				
– SIMEC Power 1 Limited	**–**	–	**–**	–
Project management fees to a related party				
– Kinlochleven Power Ltd *	**286**	–	**–**	–
– Hydropower River Leven Ltd	**172**	–	**–**	–

* Related party until 12 October 2020 when the entities changed control to an unrelated party

29. RELATED COMPANY AND RELATED PARTY TRANSACTIONS continued

Compensation of Directors and key management personnel:

The remuneration of Directors and other members of key management during the year was as follows:

	Group	
	2020 £'000	2019 £'000
Short-term benefits	**689**	685
Defined contribution benefits	**29**	26
Share based payments	**12**	39
	730	750

30. COMMITMENTS

As at 31 December 2020, the Group, through its subsidiary SUP, has capital expenditure contracted but not recognised as liabilities of £1.25 million (2019: £1.5 million).

31. CONTINGENT LIABILITIES

The Company has guaranteed credit facilities of £3.5 million (2019: £3.5 million) granted to subsidiaries.

32. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2021, the Company issued 4,838,710 new ordinary shares under the share placement deed (note 21(f)) in relation to £750,000 of the prepayment previous made by the Investor to the Company. On 19 April 2021, the Company issued 6,756,757 new ordinary shares to the Investor in relation to £500,000 of the prepayment made by to the Company.

On the 18th May 2021 the Company announced that it had received correspondence in relation to the purported appointment of receivers over all of the shares of its major shareholder, SIMEC UK Energy Holdings Limited ("SUEH"). It was noted at the time that the GFG Alliance had informed the Company that it intended to challenge the validity of the appointment and subsequently informed the Company that it had commenced proceedings in the British Virgin Islands to challenge the validity of the receiver's appointment. As at the date of publication of the Annual Report, the Company has received no further definitive clarification of the position of the respective parties.

33. SEGMENT INFORMATION

(a) Operating segments

The Group is principally engaged in generating energy from renewable generation projects, development of these projects, as well as turbine and engineering services for the tidal power industry. In addition to the development of power projects, the power generation division currently focuses on the development of the MeyGen tidal energy project, whereas the turbine and engineering services division focuses on the development and delivery of turbines and technology solutions for projects worldwide. The divisions are managed separately because they require different expertise and marketing strategies. External revenues from power generation relate to MeyGen's contract to sell generation and ROCS to Smartest. External revenues from project development relate to operations and maintenance contracts for hydro power schemes. External revenue from the turbine and engineering services relates to the supply of rental tidal generation equipment and offshore construction services in Japan. From 2019 the acquisition of GHR has been included in project development.

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 three divisions.

33. SEGMENT INFORMATION continued

Other operations include the provision of corporate services which does not meet any of the quantitative thresholds for determining reportable segments in 2020 and 2019 and is included within unallocated.

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

Information regarding the results of each reportable segment is included below. Unallocated expenditure, assets and liabilities include amounts of a corporate nature as well as corporate and inter-segment elimination, and are not specifically attributable to a segment.

2020	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Unallocated £'000	Total £'000
External revenues	**3,194**	**6,553**	**2,458**	**–**	**12,234**
Inter-segment revenue	**(2,410)**	**2,410**	**–**	**–**	**–**
Interest revenue	**2**	**65**	**–**	**(64)**	**3**
Interest expense	**(2,187)**	**(123)**	**(176)**	**(1,403)**	**(3,889)**
Depreciation and amortisation	**(2,695)**	**(973)**	**(5,938)**	**(1,018)**	**(10,624)**
Reportable segment loss before tax	**(3,587)**	**(2,765)**	**(7,523)**	**(5,546)**	**(19,421)**
Reportable segment assets	**66,292**	**26,741**	**66,661**	**(1,034)**	**158,660**
Capital expenditure	**2,532**	**5**	**2,345**	**–**	**4,882**
Reportable segment liabilities	**(38,181)**	**(56,885)**	**(36,070)**	**54,252**	**(76,884)**

2019	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Unallocated £'000	Total £'000
External revenues	4,185	122	552	–	4,859
Inter-segment revenue	–	–	–	–	–
Interest revenue	9	15	–	(8)	16
Interest expense	(2,167)	(78)	(235)	(1,168)	(3,648)
Depreciation and amortisation	(2,692)	(1,068)	(5,902)	(817)	(10,479)
Reportable segment loss before tax	(2,312)	(5,129)	(26,538)	(2,227)	(36,206)
Reportable segment assets	67,730	23,115	71,213	6,013	168,071
Capital expenditure	836	37	1,712	–	2,585
Reportable segment liabilities	(36,689)	(49,910)	(32,988)	45,547	(74,040)

(b) Geographical segments

Total segment revenue for the Group is £12.2 million (2019: £4.8 million). The Group power generation and project development operations are mostly based in the United Kingdom. Most of the Group's assets are located in the United Kingdom. The Group's turbine and engineering services division undertook a project in Japan during the year. The capital expenditure during the year is primarily related to the development of the sustainable energy projects located in the United Kingdom.

NOTES

COMPANY INFORMATION

NON-EXECUTIVE DIRECTORS
John Mitchell Neill
Mark Edward Monckton Elborne
George Jay Hambro
Duncan Stuart Black
John Anthony Clifford Woodley

EXECUTIVE DIRECTORS
Graham Matthew Reid
Andrew Luke Dagley

REGISTERED OFFICE AND COMPANY NUMBER
c/o Level 4, 21 Merchant Road,
#04-01
Singapore 058267
Company Number: 200517551R

COMPANY SECRETARY
Kelly Tock Mui Han
21 Merchant Road
#04-01 Royal Merukh S.E.A
Singapore 058267

NOMINATED ADVISER AND BROKER
Investec Bank plc
30 Gresham Street
London
EC2V 7QP

AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

REGISTRAR
Boardroom Corporate St Advisory
Services Ptd Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

DEPOSITARY
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

GUERNSEY BRANCH REGISTER
Link Market Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey GY2 4LH

WEBSITE
www.simecatlantis.com

Perivan 260931

SIMEC ATLANTIS ENERGY

www.simecatlantis.com

Registered Office and Company Number

c/o Level 4, 21 Merchant Road, #04-01 Singapore
058267 Company Number: 200517551R