

SIMEC USKMOUTH POWER LIMITED

Company Registration Number: 05104786

**Report and Financial Statements
For the year ended 31 March 2018**

**SIMEC USKMOUTH POWER LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2018**

Directors	Timothy Cornelius Andrew Dagley James Busche Parduman Gupta	(appointed 13 June 2018) (appointed 13 June 2018) (resigned 13 June 2018) (resigned 13 June 2018)
Company number	05104786	
Registered office	Uskmouth Power Station West Nash Road Nash Newport NP18 2BZ United Kingdom	
Auditor	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG	

**SIMEC USKMOUTH POWER LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018**

The directors present the strategic report for the year ended 31 March 2018.

Fair review of the business

The principal activity of the company is power generation and trade of coal and oil commodities.

SIMEC Uskmouth Power Ltd "SUP" is a 393 MW Coal Fired power plant. The Company was acquired by SIMEC Group on 28 February 2015 with a view to bringing the plant to its full generating capacity. The plant started generating electricity at the beginning of April 2015. On 3 April 2017, the plant suffered fire damage to its switch room and as a result, power generation has been suspended until the conversion work from coal to waste generation is completed.

On 15 June 2018, prior to the date of approval of these financial statements, the Company was acquired by SIMEC Atlantis Energy Limited, formerly known as Atlantis Resources Limited ('Atlantis') who intend to convert the existing coal plant to a waste derived fuel generating facility.

The company made a pre-tax loss of £13,479,000 (2017: £6,568,000) for the year on an overall turnover of £1,864,000 (2017: £72,376,000).

At 31 March 2018, the company had net assets of £51,786,000 (2017: £47,973,000).

Future development of the business

The objective of the company is to significantly expand power production using renewable energy generation processes and technology. The directors plan to convert the existing coal plant to a waste derived generation plant.

Post balance sheet events

On 15 June 2018, SIMEC UK Energy Holdings Limited, the parent company of SIMEC Uskmouth Power Limited, sold the company to Atlantis Resources Limited, a company listed on AIM, in consideration for a 49.99% shareholding in Atlantis Resources Limited. As a result, Atlantis Resources Limited changed its name to SIMEC Atlantis Energy Limited.

Going concern

The directors have given careful consideration to the current and anticipated future solvency of the company and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements, as detailed in note 2.2.

Principal risk and uncertainties

The directors recognise that within the business are a number of risks which may affect the performance of the company. The company has a risk management policy in place. This policy involves the identification and assessment of the principal risks, and appropriate measures and risk-mitigating controls are put in place and responsibilities assigned. The risk factors are recorded on a Risk Map and are scored according to their impact and likelihood.

The directors are aware of their obligations with regards to compliance with health and safety and the environment. The directors regularly review emissions into the atmosphere to ensure compliance with government regulations.

**SIMEC USKMOUTH POWER LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

Principal risk and uncertainties (continued)

The directors also acknowledge that they have the responsibility for the company's internal systems of control and for monitoring their effectiveness. These systems endeavour to manage and control reporting and risks. No system of control can, however, provide absolute assurance of data reporting. Accordingly, the directors believe that the controls are appropriate to the company's business and to the relative costs and benefits of implementing specific controls.

On behalf of the board



Timothy Cornelius
Director

21 September 2018

**SIMEC USKMOUTH POWER LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018**

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 March 2018.

Directors

The directors who served the Company during the period are shown on page 1.

The directors at the date of this report are also directors of the company's ultimate holding company, SIMEC Atlantis Energy Limited, formerly known as Atlantis Resources Limited, incorporated in Singapore.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a dividend for the year (2017: £Nil).

Directors' indemnities

The company has not made qualifying third party indemnity provisions for the benefit of its directors.

Political contributions

No political donations were made by the company during the year.

Disclosure of information to auditor

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

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

Auditor

H W Fisher & Company resigned during the period and KPMG LLP was appointed in office as auditor. KPMG LLP have indicated their willingness to be appointed for another term. A resolution to re-appoint KPMG LLP as auditor will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by:



Timothy Cornelius
Director

21 September 2018

SIMEC USKMOUTH POWER LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

The directors are responsible for preparing the Strategic report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**SIMEC USKMOUTH POWER LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SIMEC USKMOUTH POWER LIMITED
FOR THE YEAR ENDED 31 MARCH 2018**

Opinion

We have audited the financial statements of SIMEC Uskmouth Power Limited ("the company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Information, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the summary of significant accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the group is reliant on the success of the FEED process and, if successful, the ability of the group to obtain further funding for the conversion of the power plant. These conditions, along with the other matters explained in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those report and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

**SIMEC USKMOUTH POWER LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SIMEC USKMOUTH POWER LIMITED (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
20 Saltire Court
Castle Terrace
EH1 2EG

21 September 2018

SIMEC USKMOUTH POWER LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Year ended 31 March	
		2018 £'000	2017 £'000
Revenue	4	1,864	72,376
Cost of sales		(7,022)	(68,847)
Gross (loss)/profit		<u>(5,158)</u>	<u>3,529</u>
Administrative expenses	5	(8,149)	(10,007)
Other operating income	6	47	141
Operating loss		<u>(13,260)</u>	<u>(6,337)</u>
Finance costs	8	(219)	(231)
Loss before taxation		<u>(13,479)</u>	<u>(6,568)</u>
Income tax credit	9	2,110	293
Loss for the year attributable to equity holders		<u>(11,369)</u>	<u>(6,275)</u>
Other comprehensive income:			
Gain/(loss) on revaluation of property, plant and equipment		17,292	(802)
Deferred tax on revaluation		(2,110)	325
Total comprehensive gain/(loss) for the year		<u><u>3,813</u></u>	<u><u>(6,752)</u></u>

SIMEC USKMOUTH POWER LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

Company Number: 05104786

	Notes	As at 31 March	
		2018	2017
		£'000	£'000
Non-current assets			
Property, plant and equipment	10	<u>81,143</u>	<u>68,226</u>
Current assets			
Inventories	11	985	4,695
Trade and other receivables	12	3,858	16,287
Cash and cash equivalents	13	24	80
		<u>4,867</u>	<u>21,062</u>
Current liabilities			
Trade and other payables	14	(20,783)	(28,036)
		<u>(15,916)</u>	<u>(6,974)</u>
Net current liabilities			
Non - current liabilities			
Financial liabilities - borrowings	15	-	(63)
Provisions	19	(12,774)	(12,549)
Deferred tax liabilities	9	(667)	(667)
		<u>51,786</u>	<u>47,973</u>
Net Assets			
Shareholders' equity			
Called up share capital	17	20,081	20,081
Revaluation reserve		17,431	2,249
Accumulated profits		14,274	25,643
		<u>51,786</u>	<u>47,973</u>
Total equity			

These financial statements were approved by the board of directors on 21 September 2018 and were signed on its behalf by:

Timothy Cornelius
 Director

**SIMEC USKMOUTH POWER LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2016	20,081	2,726	30,579	53,386
Loss for the year	-	-	(6,275)	(6,275)
Revaluation of property, plant and equipment	-	(802)	-	(802)
Deferred tax on revaluation	-	325	-	325
Contribution from Parent	-	-	1,339	1,339
As at 31 March 2017	20,081	2,249	25,643	47,973
Loss for the year	-	-	(11,369)	(11,369)
Revaluation of property, plant and equipment	-	17,292	-	17,292
Deferred tax on revaluation	-	(2,110)	-	(2,110)
Contribution from Parent	-	-	-	-
As at 31 March 2018	20,081	17,431	14,274	51,786

SIMEC USKMOUTH POWER LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Year ended 31 March	
	2018 £'000	2017 £'000
Cash flows from operating activities		
Loss for the year	(11,369)	(6,275)
Adjustments for:		
Depreciation	4,561	4,710
Loss on disposal of fixed assets	84	-
Decrease in inventories	3,710	8,468
Decrease/(increase) in receivables	12,429	(13,101)
(Decrease)/increase in payables	(7,326)	6,605
Interest payable	219	231
Taxation	(2,110)	(293)
Net cash generated from operating activities	<u>198</u>	<u>345</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(401)	(396)
Sale of tangible fixed assets	130	-
Interest received	13	-
Net cash used in investing activities	<u>(258)</u>	<u>(396)</u>
Cash flows from financing activities		
Interest paid	(7)	(10)
Net cash used in financing activities	<u>(7)</u>	<u>(10)</u>
Net decrease in cash and cash equivalents	<u><u>(67)</u></u>	<u><u>(61)</u></u>
Cash and cash equivalents at the beginning of the year	80	141
Exchange differences on cash or cash equivalents	11	-
Cash and cash equivalents at the end of the year	<u><u>24</u></u>	<u><u>80</u></u>

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1 Domicile and activities

SIMEC Uskmouth Power Limited (the "Company") is a company limited by shares and incorporated in England and Wales. The address of the Company's registered office is Uskmouth Power Station, West Nash Road, Nash, Newport, NP18 2BZ, United Kingdom.

The principal activity of the Company is power generation and the trade of coal and oil. It is the objective of the Company to significantly expand power production by converting the existing coal plant to a waste derived generation plant.

2 Summary of significant accounting policies

2.1 Statement of compliance

The financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union, and the provisions of the UK Companies Act 2006 applicable to companies reporting under IFRS.

2.2 Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the historical cost basis, except for certain property, plant and equipment and financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies below.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Great British Pounds ("GBP"). The presentational currency of the financial statements has been changed from United State Dollars "USD" to GBP. The change in presentational currency of the Company has been applied retrospectively in accordance with IAS Accounting policies, Changes in Accounting Estimates and Errors, and the comparative figures including those in note 25 have been restated to GBP accordingly. The change in presentational currency has no significant impact on the financial position of the Company, or the results and cash flows for the financial year ended 31 March 2018.

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

Going concern

In preparing these financial statements, the directors of the Company have given careful consideration to the current and anticipated future solvency of the Company and its ability to continue as a going concern for the foreseeable future. The Company has prepared the financial statements on a going concern basis, notwithstanding net current liabilities of £15.9 million as at 31 March 2018, a loss for the year then ended of £11.4 million and continued losses since the year end, for the following reasons.

Following damage to the switch room of the Company's coal power station in April 2017, the Company suspended its power generating activity and at that time cash flow generation from those operations ceased.

On 15 June 2018, prior to the date of approval of this report, the Company was acquired by SIMEC Atlantis Energy Limited ("Atlantis") with the intention of converting the existing coal plant to a waste derived fuel generating facility.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2 Summary of significant accounting policies (continued)

Following the acquisition by Atlantis, the company is due to begin the front end engineering and design ("FEED") process for refining the engineering and economics that underpin the planned conversion of the power station. This process, assuming it progresses successfully, is forecast to be complete Q4 2019. During this time, the Company is reliant on its ultimate parent company, Atlantis, to fund its working capital. The Company has obtained a letter from Atlantis indicating that it will provide financial support to allow the Company to meet its liabilities as they fall due during the FEED process. Whilst the FEED process is ongoing, the planned conversion of the plant remains uncertain.

The Group has prepared monthly financial forecasts for the period to 30 September 2019 with annual forecasts for the 5 years thereafter, which include the costs of the FEED process referred to above. These forecasts indicate that the Group will have significant available headroom on cash resources for that period. However, under the Group's downside forecasts, which exclude all potential sources of income that are not yet contractually secured and any potential equity or debt raise, it would be able to operate within its available cash and funding balances until the FEED process is complete. If required, the Group is able to implement cost control mitigations whereby it can reduce its current cost run rate and extend the period over which the current funding would last.

Assuming successful completion of the FEED process, the costs of conversion are expected to be significant and the Group will need to raise further project financing which is anticipated to comprise a combination of debt, equity and grants. If the power station is successfully converted, which is anticipated to occur within the next 3 years, it is forecast to generate significant free cash for a period of at least 20 years, backed by two 20-year power purchase agreements and a 20-year fuel supply agreement, all of which are already in place.

While the directors cannot envisage all possible circumstances that may impact the Company in the future, they believe that, taking account of the forecasts, future plans and available cash resources, including the financial support from Atlantis, the Company will have sufficient resources to meet all ongoing working capital and committed capital expenditure requirements as they fall due. However, they acknowledge that the outcome of the FEED process and, if it is successful, the ability of Atlantis to obtain additional financing to provide to the Company for the conversion of the power station are material uncertainties which may cast significant doubt on this Company's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

2.3 Financial instruments

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Effective interest method

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

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2 Summary of significant accounting policies (continued)

Financial assets

Financial assets 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 are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held to maturity investments, available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The financial assets of the Company comprise loans and receivables.

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company 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 Company 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 Company's accounting policy for borrowing costs (see Note 2.16).

Derecognition of financial liabilities

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

2.4 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises all direct expenditure and those attributable costs overheads that have been incurred in bringing the inventories to their present location and condition.

2.5 Retirement benefit obligations

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2.6 Leases

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

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

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

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2 Summary of significant accounting policies (continued)

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.7 Property, plant and equipment

Land and buildings, and plant and machinery held for use in the generation of power are stated in the statement of financial position 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 with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each 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 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 on revalued assets is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	- Straight line over 10-50 years
Plant and machinery	- Straight line over 15-25 years
Fixtures, fittings and equipment	- Straight line over 10 years
Motor vehicles	- Straight line over 4 years

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, except when there is no reasonable certainty that ownership will be obtained by the end of the lease term, where the assets are depreciated over the shorter of the lease term and their useful lives.

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

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

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2 Summary of significant accounting policies (continued)

2.8 Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

2.9 Provisions

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

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

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

The estimated cost of decommissioning the assets used in the generation of power is reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning at the end of the producing life of these assets. This estimate is based on technology and prices at the balance sheet date. Changes in this provision are made prospectively and will be reflected through profit or loss. The unwinding of the discount on the provision is included in finance costs.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2 Summary of significant accounting policies (continued)

2.10 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Government grants whose primary condition is that the Company 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 Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.11 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of the consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue attributable to the activity of electricity generation is recognised as electricity is generated, at the price at which revenue is contracted to be sold.

Revenue from the sale of commodities is recognised when the risks and rewards of ownership have transferred to the customer in accordance with the International Commercial Terms 2010 (Incoterms 2010) and represents the invoiced value of the commodities sold net of VAT.

Other revenues from the sale of goods are recognised at the point when the risks and rewards of ownership pass to the customer, typically at the point of delivery to the customer's premises.

2.13 Income tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company operates by the end of the reporting period.

2.14 Retirement benefit obligations

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2 Summary of significant accounting policies (continued)

Deferred tax

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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company 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 Company 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.

2.15 Foreign currency transactions and translation

The financial statements are measured and presented in the functional currency.

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

2.16 Finance costs

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.

2.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or property, plant and equipment.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2 Summary of significant accounting policies (continued)

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2.18 New standards and interpretations not adopted

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

IFRS 9 Financial Instruments

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

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

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2 Summary of significant accounting policies (continued)

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

IFRS 16 Leases

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

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

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

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

In the application of the Company'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 the process of applying the Company'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 are discussed below:

Valuation of land and buildings, and plant and machinery

The fair value of land and buildings and plant and machinery is based upon valuations provided by external valuation experts. The fair value is estimated based upon the highest and best use from a market participant's perspective and consider the potential uses that are physically possible, legally permissible and financially feasible. Ascertaining the fair values of the Company's land and buildings, and plant and machinery, is inherently subjective due to, among other factors, the individual nature and condition of the buildings and power plant and their location. As a result, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3 Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Useful life of assets

Management reviews the useful lives of depreciable assets at each reporting date, based on expected utility of the assets. Uncertainties in these estimates relate to the period that the Company intends to derive future economic benefits from the use of these assets.

Decommissioning provision

The estimate of the costs to decommission the property, plant and equipment of the Uskmouth Power Station at a future date is inherently judgemental. The estimated cost of decommissioning is reviewed periodically. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date. The estimate is based on the forecast remediation or clean-up costs at the projected date of decommissioning, which itself is uncertain, and are discounted for the true value of money.

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NOTES TO THE FINANCIAL STATEMENTS
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4 Revenue

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

	2018 £'000	2017 £'000
<i>Revenue</i>		
Sale of commodities	1,114	41,414
Energy sales	436	30,366
Sale of other goods	314	596
	<u>1,864</u>	<u>72,376</u>

5 Expenses

An analysis of the company's expenses by nature is as follows:

		2018 £'000	2017 £'000
Depreciation	10	4,561	4,710
Auditor remuneration		28	48
Net foreign exchange (gains)/losses		(155)	16
Inventories write-down		865	-
		<u>865</u>	<u>-</u>

6 Other operating income

	2018 £'000	2017 £'000
Service charge receivable	131	141
loss of sale of assets	(84)	-
	<u>47</u>	<u>141</u>

7 Employee benefits expenses

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

	2018 Number	2017 Number
Average number of employees	<u>63</u>	<u>82</u>

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages, salaries and other short term benefits	2,225	2,273
Social security costs	264	244
	<u>2,489</u>	<u>2,517</u>

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

7 Employee benefits expenses (continued)

Included in social security costs are pension costs of £10k (2017: £nil) in respect of the defined contribution scheme.

Included in staff costs is directors' remuneration of £165k (2017: £53k) paid in respect of the year to 31 March 2018.

8 Finance costs

	2018 £'000	2017 £'000
Interest (income)/expense arising from:		
Bank interest on loans and overdrafts	(13)	5
Unwind of discount on decommissioning provision	225	221
Finance leases	7	5
	<u>219</u>	<u>231</u>

9 Income tax credit

	2018 £'000	2017 £'000
Income tax expense arising from:		
Current tax (credit)/expense	(2,110)	(293)
Deferred tax expense	-	-
	<u>(2,110)</u>	<u>(293)</u>

The income tax credit can be reconciled to the accounting loss as follows:

	2018 £'000	2017 £'000
Loss before tax	<u>(13,479)</u>	<u>(6,568)</u>
Reconciliation of effective tax rate		
Tax expenses at the current tax rate of 19% (2017: 19%)	(2,561)	(1,248)
Effect of expenses that are not deductible in determining taxable profits	13	559
Group relief surrendered for no payment	-	220
Deferred tax recognised in other comprehensive income	(2,110)	(197)
Deferred tax liability movement	-	-
Opening deferred tax rate change	-	(304)
Closing deferred tax rate change	-	677
Tax losses carried forward not recognised	2,548	-
	<u>(2,110)</u>	<u>(293)</u>

No deferred tax assets were recognised in respect of the tax losses of £47,350,000 (2017: £33,871,000) carried forward as future taxable income is uncertain.

Applicable rate of tax is computed at 19% (2017: 19%). The standard rate of UK Corporation tax reduced from 20% to 19% on 1 April 2017. The Finance Act 2016 includes legislation to further reduce the rate from 1 April 2020 to 17%.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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9 Income tax expense (continued)

Deferred tax balances

The following is an analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	2018 £'000	2017 £'000
Deferred tax assets	-	-
Deferred tax liabilities	667	667
	<u>667</u>	<u>667</u>
	2018 £'000	2017 £'000
Deferred tax assets/(liabilities) in relation to:		
Fixed asset timing differences	(8,537)	(6,425)
Tax losses (recognised)	7,870	5,758
	<u>(667)</u>	<u>(667)</u>
	<u>(667)</u>	<u>(667)</u>

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

10 Property, plant and equipment

	Freehold land & buildings £'000	Plant and machinery £'000	Fixtures & motor vehicles £'000	Total £'000
Cost or valuation				
At 1 April 2016	10,315	62,992	45	73,352
Additions	-	396	-	396
Revaluation	(203)	(5,300)	-	(5,503)
At 31 March 2017	<u>10,112</u>	<u>58,088</u>	<u>45</u>	<u>68,245</u>
Additions	-	401	-	401
Disposals	-	(226)	-	(226)
Revaluation	(667)	13,412	-	12,745
At 31 March 2018	<u>9,445</u>	<u>71,675</u>	<u>45</u>	<u>81,165</u>
Accumulated depreciation				
At 1 April 2016	-	-	10	10
Depreciation for the year	612	4,089	9	4,710
On revaluation	(612)	(4,089)	-	(4,701)
At 31 March 2017	-	-	19	19
Depreciation for the year	667	3,892	3	4,561
On disposals	-	(12)	-	(12)
On revaluation	(667)	(3,880)	-	(4,546)
At 31 March 2018	<u>-</u>	<u>-</u>	<u>22</u>	<u>22</u>
Net book value				
At 31 March 2016	<u>10,315</u>	<u>62,992</u>	<u>35</u>	<u>73,342</u>
At 31 March 2017	<u>10,112</u>	<u>58,088</u>	<u>26</u>	<u>68,226</u>
At 31 March 2018	<u>9,445</u>	<u>71,675</u>	<u>23</u>	<u>81,143</u>

To the year ended 31 March 2017, the freehold land and buildings, and plant and machinery, were revalued at each year, based on valuation reports prepared by Duff & Phelps, an independent firm of valuers. For assets with a revaluation date of 31 March 2017, the valuation report date was 13 December 2017.

For the year ended 31st March 2018, the valuation was based upon the market based transaction whereby the entire share capital of the company was acquired by Atlantis. The acquisition price of the company was made to derive this fair value through a process of deducting from it the fair value of other assets and liabilities; the residual amount being the fair value of freehold land and buildings and plant and machinery. Refer to note 24.

If the revalued assets were stated on a historical cost basis rather than a fair value basis, their carrying amounts would have been:

	2018 £'000	2017 £'000
Cost	39,010	38,609
Accumulated depreciation	(21,074)	(16,513)
	<u>17,936</u>	<u>22,096</u>

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

10 Property, plant and equipment (continued)

The Company's obligations under finance lease are secured over the leased assets, which have a carrying amount of:

	2018 £'000	2017 £'000
Plant and machinery	-	225

11 Inventories

	2018 £'000	2017 £'000
Stocks of coal and oil	120	3,156
Spare parts and consumables	865	1,678
Impairment	-	(139)
	<u>985</u>	<u>4,695</u>

Inventories have reduced by £865k in the year (2017: nil) as a result of write-downs to net realisable value. Such write downs were recognised as an expense in 2018.

12 Trade and other receivables

	2018 £'000	2017 £'000
<i>Current:</i>		
Trade receivables	136	5,446
Amounts due from related entities	450	441
Amounts due from fellow group entities	2,134	5,203
Other receivables	1,138	4,572
Prepayments and accrued income	-	625
	<u>3,858</u>	<u>16,287</u>

The amounts due from related parties and fellow group companies are unsecured and interest-free.

13 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank	24	80
	<u>24</u>	<u>80</u>

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14 Trade and other payables

	2018 £'000	2017 £'000
<i>Current:</i>		
Trade payables	375	4,860
Other payables	887	10,701
Accruals and deferred income	329	83
Amounts due to related entities	1,472	686
Amounts due to fellow group entities	17,652	11,515
Taxes and social security costs	68	128
Obligations under finance lease	-	63
	<u>20,783</u>	<u>28,036</u>

The amounts due to related parties and fellow group companies are unsecured and interest-free.

15 Loans and borrowings

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

	Note	2018 £'000	2017 £'000
Current loans and borrowings			
Obligations under finance leases	16	<u>-</u>	<u>63</u>
Non-current loans and borrowings			
Obligations under finance leases	16	<u>-</u>	<u>63</u>
Total loans and borrowings		<u>-</u>	<u>126</u>

16 Finance lease obligations

Future minimum lease payments due under finance leases:

	2018 £'000	2017 £'000
Minimum lease payments:		
Within one year	-	63
In two to five years	-	63
	<u>-</u>	<u>126</u>
less: future finance charges	-	(7)
	<u>-</u>	<u>119</u>
Included in the statement of financial position as:		
- Current borrowings	-	58
- Non-current borrowings	-	61
	<u>-</u>	<u>119</u>

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16 Finance lease obligations (continued)

Finance lease payments in 2017 represented rentals payable by the Company for a certain item of plant and machinery. This item was disposed of during 2018.

17 Share capital

	2018	2017
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
20,081,417 of £1 each	<u>20,081</u>	<u>20,081</u>

18 Revaluation reserve

The revaluation reserve arises on the revaluation of land and buildings, and plant and machinery, and is non-distributable.

19 Provisions

	2018	2017
	£'000	£'000
Decommissioning provision		
Balance at 1 April	12,549	12,328
Unwinding of discounted amount	<u>225</u>	<u>221</u>
	<u>12,774</u>	<u>12,549</u>

The decommissioning provision is to make allowance for the cost of restoring the site of the power station to a condition that complies with applicable legislation, which is anticipated to take place in approximately 2040. 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.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

20 Financial instruments, financial risks and capital risks management

The Company 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) Categories of financial instruments

	2018	2017
	£'000	£'000
Financial assets		
- Loans and receivables	3,858	15,105
- Cash at bank	24	80
	<u>3,882</u>	<u>15,185</u>
Financial liabilities		
- Payables at amortised cost	<u>(20,783)</u>	<u>(28,036)</u>

(b) Credit risk

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

The Company's concentration of credit risk is represented by the exposure to the carrying amounts of individual financial assets which account for 10% or more of the Company's receivables and is described as follows:

	2018	2017
	£'000	£'000
Trade receivables	-	2,147
Amounts due from fellow group entities	2,128	3,960
Amounts due from related parties	429	-
	<u>2,557</u>	<u>6,107</u>

No other single customers contributed 10% or more to the company's receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset as at the end of the reporting period.

Analysis of trade and other receivables:

	2018	2017
	£'000	£'000
Amounts that are not past due:		
- Trade receivables	136	5,446
- Other receivables	1,138	4,015
Amounts that are past due but not impaired:		
- Amounts due from related companies	450	441
- Amounts due from fellow group undertakings	2,134	5,203
	<u>3,858</u>	<u>15,105</u>

Based on management's experience, there are no concerns that the above balances include any irrecoverable debts.

Cash and cash equivalents

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

Guarantees

The Company has no outstanding guarantees issued to lenders.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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20 Financial instruments, financial risks and capital risks management (continued)

(c) Liquidity risk

The Company 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 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 company's financial liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations.

	Note	Carrying amount £'000	Contractual cash flows			
			Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2018						
Financial liabilities						
Trade and other payables	14	1,659	1,659	1,659	-	-
Amounts due to related entities	14	1,472	1,472	1,472	-	-
Amounts due to group entities	14	17,652	17,652	17,652	-	-
		<u>20,783</u>	<u>20,783</u>	<u>20,783</u>	<u>-</u>	<u>-</u>
2017						
Financial liabilities						
Trade and other payables	14	15,835	15,643	15,643	-	-
Amounts due to related entities	14	686	686	686	-	-
Amounts due to group entities	14	11,515	11,515	11,515	-	-
		<u>28,036</u>	<u>27,844</u>	<u>27,844</u>	<u>-</u>	<u>-</u>

(d) Market risk

Currency risk

The Company transacts business in foreign currencies, being the United States dollar, 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 Company's functional currencies are as follows:

	Assets	
	2018 £'000	2017 £'000
United States dollars	<u>11</u>	<u>1,987</u>
	Liabilities	
	2018 £'000	2017 £'000
United States dollars	<u>-</u>	<u>1,153</u>

SIMEC USKMOUTH POWER LIMITED
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FOR THE YEAR ENDED 31 MARCH 2018

20 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 the company, profit and loss (before tax) and equity will increase (decrease) by:

	Equity	
	2018	2017
	£'000	£'000
United States dollars	<u>1</u>	<u>83</u>
	Profit and loss (before tax)	
	2018	2017
	£'000	£'000
United States dollars	<u>1</u>	<u>83</u>

If the relevant foreign currency weakens by 10% against the functional currency of the Company, 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 company

The Company's exposure to interest rate risk is limited to the effects of fluctuation in bank interest rate on cash and

Equity price risk

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

(d) Capital management policies and objectives

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the

The capital structure of the Company consists of equity and loans and borrowings amounting as follows:

	2018	2017
	£'000	£'000
Equity	51,786	47,973
Loans and borrowings	-	126
	<u>51,786</u>	<u>48,099</u>

There are no changes in the Company's approach to capital management during the financial year. The company is

(e) Accounting classifications and fair values

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the

SIMEC USKMOUTH POWER LIMITED
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21 Related party transactions

Details of transactions between the Company and related parties are disclosed below:

<i>Trading transactions</i>	2018	2017
	£'000	£'000
Purchases of goods		
- Related entities	-	81
- Fellow group entities	-	4,847
Payment of rent		
- Related entities	-	60
Recharge of costs to		
- Related entities	(776)	2,316
- Fellow group entities	1,261	3,227
Loans from/(to)		
- Related entities	-	(53)
- Fellow group entities	(10,629)	(3,185)
 <i>Balances outstanding</i>	 2018	 2017
	£'000	£'000
Amounts due from related entities	450	441
Amounts due from the parent entity	1,320	1,237
Amounts due from other group entities	814	3,966
Amounts due to related entities	(1,472)	(686)
Amounts due to the parent entity	(7,061)	(8,321)
Amounts due to other group entities	(10,592)	(3,194)

Other transactions

The Company was party to a group guarantee for the finance leases of SIMEC Power 1 Ltd which were fully repaid in the year to 31 March 2018. The balance outstanding on the lease as at 31st March 2017 was £9,790,000.

During 2017, the Company recharged costs of £1,339,000 to the parent entity in relation to penalties incurred on late filing of climate change levy returns.

The related entities mentioned above are all part of the GFG Alliance, which encompass entities under the common control of Mr P K Gupta, and of his son Mr S K Gupta.

22 Controlling party

At 31 March 2018 and to 14 June 2018, the immediate parent company of SIMEC Uskmouth Power Limited was SIMEC UK Energy Holdings Limited (formerly Pentach Invest Ltd), a company registered in British Virgin Islands, and the ultimate parent company is SIMEC Group Limited, a company registered in Hong Kong. The largest and smallest group in which the results of the Company are consolidated was headed by SIMEC Group Limited. The consolidated financial statements of this group are available to the public and can be obtained from the Company Secretary, Suite 2202 - 2204, Gloucester Tower, The Landmark, 11 Pedder Street, Central Hong Kong. The ultimate controlling party was Mr P K Gupta.

From 15 June 2018, the company's ultimate parent and controlling party is SIMEC Atlantis Energy Limited (formerly Atlantis Resources Limited), a company incorporated in Singapore and registered at 80 Raffles Place, Level 36, Singapore 048624.

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23 Operating leases

At the end of the reporting period, the company had no outstanding commitments under non-cancellable operating leases. At the end of the prior reporting period, such commitments fell due as follows:

	2018 £'000	2017 £'000
Within one year	-	16
	<u>-</u>	<u>16</u>

24 Events after the reporting period

On 15 June 2018, SIMEC UK Energy Holdings Limited, the parent company of SIMEC Uskmouth Power Limited, sold the company to Atlantis Resources Limited, a company listed on AIM, in consideration for a 49.99% shareholding in Atlantis Resources Limited. As a result, Atlantis Resources Limited changed its name to SIMEC Atlantis Energy Limited.

25 Reconciliation on first-year adoption of IFRS

In preparing the financial statements, the company's opening statement of financial position was prepared as at 1 April 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the company in restating its UK GAAP financial statements.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The company has applied the following exemptions:

Deemed cost

At the date of transition to IFRS, the fair value of the property, plant and equipment, which was £68,580,000 at 1 April 2014, was taken to be their deemed cost.

Estimates

The estimates at 1 April 2014 and at 31 March 2015 are consistent with those made for the same dates in accordance with UK GAAP.

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

25 Reconciliation on first-year adoption of IFRS (continued)

Reconciliation of equity as at 1 April 2014 (date of transition to IFRS)

	Notes	UK GAAP at 1 April 2014 £'000	Transition adjustments £'000	Other adjustment £'000	IFRS as at 1 April 2014 £'000
Non-current assets					
Property, plant and equipment	1	-	68,580	-	68,580
Current assets					
Inventories		200	-	-	200
Trade and other receivables		17,100	-	-	17,100
Cash and cash equivalents		-	-	-	-
		<u>17,300</u>	<u>-</u>	<u>-</u>	<u>17,300</u>
Current liabilities					
Trade and other payables		(2,800)	-	-	(2,800)
		<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
Net current liabilities					
		<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
Non - current liabilities					
Financial liabilities - borrowings		(8,700)	-	-	(8,700)
Provisions for liabilities					
Deferred tax liability	2	(1,317)	-	(11,898)	(13,215)
			(1,602)		(1,602)
Net Assets		<u>4,483</u>	<u>66,978</u>	<u>(11,898)</u>	<u>59,563</u>
Shareholders' equity					
Called up share capital		20,081	-	-	20,081
Retained earnings	1,2	(15,598)	66,978	(11,898)	39,482
		<u>4,483</u>	<u>66,978</u>	<u>(11,898)</u>	<u>59,563</u>

Reconciliation of equity as at 31 March 2015

	Notes	UK GAAP at 31 March 2015 £'000	Transition adjustments £'000	Other adjustment £'000	IFRS as at 31 March 2015 £'000
Non-current assets					
Property, plant and equipment		70,678	-	-	70,678
Current assets					
Inventories		11,426	-	-	11,426
Trade and other receivables		991	-	-	991
Cash and cash equivalents		61	-	-	61
		<u>12,478</u>	<u>-</u>	<u>-</u>	<u>12,478</u>
Current liabilities					
Trade and other payables		(14,815)	-	-	(14,815)
		<u>(2,337)</u>	<u>-</u>	<u>-</u>	<u>(2,337)</u>
Net current liabilities					
		<u>(2,337)</u>	<u>-</u>	<u>-</u>	<u>(2,337)</u>
Non - current liabilities					
Financial liabilities - borrowings		-	-	-	-

SIMEC USKMOUTH POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

25 Reconciliation on first-year adoption of IFRS (continued)

Provisions for liabilities	2	-	-	(12,111)	(12,111)
Deferred tax liability			(1,567)		(1,567)
Net Assets		68,341	(1,567)	(12,111)	54,663

Shareholders' equity					
Called up share capital		20,081	-	-	20,081
Revaluation reserve	3	68,580	(66,157)	-	2,423
Retained earnings	1,2	(20,320)	64,590	(12,111)	32,159
Total equity		68,341	(1,567)	(12,111)	54,663

Reconciliation of equity as at 31 March 2016

	Notes	UK GAAP at 31 March 2016 £'000	Transition adjustments £'000	Other adjustment £'000	IFRS as at 31 March 2016 £'000
Non-current assets					
Property, plant and equipment		73,342	-	-	73,342
Current assets					
Inventories		13,163	-	-	13,163
Trade and other receivables		3,186	-	-	3,186
Cash and cash equivalents		141	-	-	141
		16,490	-	-	16,490
Current liabilities					
Trade and other payables		(22,703)	-	-	(22,703)
Net current liabilities		(6,213)	-	-	(6,213)
Non-current liabilities					
Financial liabilities - borrowings		(129)	-	-	(129)
Provisions for liabilities	2	-	-	(12,328)	(12,328)
Deferred tax liability			(1,286)		(1,286)
Net Assets		67,000	(1,286)	(12,328)	53,386
Shareholders' equity					
Called up share capital		20,081	-	-	20,081
Revaluation reserve	3	68,310	(65,584)	-	2,726
Retained earnings	1,2	(21,391)	64,298	(12,328)	30,579
Total equity		67,000	(1,286)	(12,328)	53,386

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

25 Reconciliation on first-year adoption of IFRS (continued)

Reconciliation of equity as at 31 March 2017

	Notes	UK GAAP at 31 March 2017 £'000	Transition adjustments £'000	Other adjustment £'000	IFRS as at 31 March 2017 £'000
Non-current assets					
Property, plant and equipment		68,226	-	-	68,226
Current assets					
Inventories		4,695	-	-	4,695
Trade and other receivables		16,287	-	-	16,287
Cash and cash equivalents		80	-	-	80
		<u>21,062</u>	<u>-</u>	<u>-</u>	<u>21,062</u>
Current liabilities					
Trade and other payables		(28,036)	-	-	(28,036)
		<u>(6,974)</u>	<u>-</u>	<u>-</u>	<u>(6,974)</u>
Net current liabilities					
		<u>(6,974)</u>	<u>-</u>	<u>-</u>	<u>(6,974)</u>
Non - current liabilities					
Financial liabilities - borrowings		(63)	-	-	(63)
Provisions for liabilities	2	-	-	(12,549)	(12,549)
Deferred tax liability			(667)		(667)
Net Assets		<u>61,189</u>	<u>(667)</u>	<u>(12,549)</u>	<u>47,973</u>
Shareholders' equity					
Called up share capital		20,081	-	-	20,081
Revaluation reserve	3	67,508	(65,259)	-	2,249
Retained earnings	1,2	(26,400)	64,592	(12,549)	25,643
		<u>61,189</u>	<u>(667)</u>	<u>(12,549)</u>	<u>47,973</u>
Total equity		<u>61,189</u>	<u>(667)</u>	<u>(12,549)</u>	<u>47,973</u>

1. Under UK GAAP the property, plant and equipment of the Uskmouth Power Station had been fully amortised under the historical cost basis of accounting. On transition to IFRS the deemed cost exemption has been taken under which fair value will be used as the basis of accounting. This is based upon the depreciated replacement cost method of valuation which has been assessed by independent valuers, Duff and Phelps. Under the deemed cost exemption the increase in asset value is reflected through retained earnings. A corresponding deferred tax liability has been recognised on transition.

2. Following an assessment by management of the restoration obligations in respect of the Uskmouth Power Station provision has been made to cover the estimate of costs involved. This is based upon management estimates taking account of external advice and consideration of the costs of decommissioning of similar facilities elsewhere. The estimate is based upon technology and prices at the balance sheet date. The provision is reflected through retained earnings in line with the deemed cost exemption accounting adopted in accounting for the property, plant and equipment related to the power station. Each year the provision is increased to reflect the reversal of the discount to bring the provision to net present value, with the adjustment being reflected through the statement of comprehensive income. A decommissioning provision should have been recognised in the UK GAAP accounts and thus this adjustment is the correction of a prior period error.

3. At each year end an adjustment is required in order to present the increase in valuation of the property, plant and equipment made on transition to IFRS within retained earnings, rather than revaluation reserve. The remaining amount within the revaluation reserve reflects the adjustment to fair value made in each financial year.

SIMEC USKMOUTH POWER LIMITED
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FOR THE YEAR ENDED 31 MARCH 2018

25 Reconciliation on first-year adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31 March 2015

	Notes	UK GAAP at 31 March 2015 £'000	Transition adjustments £'000	Other adjustments £'000	IFRS for the year ended 31 March 2015 £'000
Revenue		-	-	-	-
Cost of sales		431	-	-	431
Gross profit		431	-	-	431
Administrative expenses	4	(5,145)	(2,447)	-	(7,592)
Operating loss		(4,714)	(2,447)	-	(7,161)
Finance costs	5	(9)	-	(213)	(222)
Loss before taxation		(4,723)	(2,447)	(213)	(7,383)
Income tax credit	6	-	60	-	60
Loss for the year attributable to equity holders		(4,723)	(2,387)	(213)	(7,323)
Other comprehensive income:					
Gain on revaluation of property, plant and		68,580	(66,133)	-	2,447
Deferred tax on revaluation	6	-	(24)	-	(24)
Total comprehensive income for the year		63,857	(68,544)	(213)	(4,900)

Reconciliation of total comprehensive income for the year ended 31 March 2016

	Notes	UK GAAP at 31 March 2016 £'000	Transition adjustments £'000	Other adjustments £'000	IFRS for the year ended 31 March 2016 £'000
Revenue		48,639	-	-	48,639
Cost of sales		(44,487)	-	-	(44,487)
Gross profit		4,152	-	-	4,152
Administrative expenses		(5,341)	-	-	(5,341)
Other operating income		193	-	-	193
Operating loss		(996)	-	-	(996)
Finance costs	5	(74)	-	(217)	(291)
Loss before taxation		(1,070)	-	(217)	(1,287)
Income tax expense	6	-	(292)	-	(292)
Loss for the year attributable to equity holders		(1,070)	(292)	(217)	(1,579)
Other comprehensive income:					
Gain on revaluation of property, plant and		(270)	-	-	(270)
Deferred tax on revaluation	6	-	573	-	573
Total comprehensive income for the year		(1,340)	281	(217)	(1,276)

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FOR THE YEAR ENDED 31 MARCH 2018

25 Reconciliation on first-year adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31 March 2017

	Notes	UK GAAP at 31 March 2017 £'000	Transition adjustments £'000	Other adjustments £'000	IFRS for the year ended 31 March 2017 £'000
Revenue		72,376	-	-	72,376
Cost of sales		(68,847)	-	-	(68,847)
Gross profit		3,529	-	-	3,529
Administrative expenses	7	(8,668)	-	(1,339)	(10,007)
Other operating income		141	-	-	141
Operating loss		(4,998)	-	(1,339)	(6,337)
Finance costs	5	(10)	-	(221)	(231)
Loss before taxation		(5,008)	-	(1,560)	(6,568)
Income tax expense	6	-	293	-	293
Loss for the year attributable to equity holders		(5,008)	293	(1,560)	(6,275)
Other comprehensive income:					
Gain on revaluation of property, plant and		(802)	-	-	(802)
Deferred tax on revaluation	6	-	325	-	325
Total comprehensive income for the year		(5,810)	618	(1,560)	(6,752)

4. This adjustment reflects the depreciation charge required on the property, plant and equipment which has been adjusted to fair value, previously being fully depreciated as explained in note 1.

5. This adjustment represents the unwind of the discount of the provision for the decommissioning cost of the Uskmouth Power Station. Further explained in note 2.

6. An adjustment has been made to reflect the deferred tax required to be recognised through the income statement and other comprehensive income on the revaluation adjustment made to property, plant and equipment.

7. This adjustment has been made to reflect a contribution being made from the parent in the form of settling a climate change levy penalty. The adjustment results in an increase in both administrative expenses and retained earnings. This balance should have been reflected in retained earnings in the UK GAAP accounts and therefore this adjustment is the correction of a prior period error.