



**SIMEC ATLANTIS
ENERGY**

SIMEC ATLANTIS ENERGY LIMITED

ANNUAL REPORT 2017



TIM CORNELIUS, CHIEF EXECUTIVE OF ATLANTIS, COMMENTED:

“ We are delighted with the progress made at MeyGen this year where we have achieved a significant number of milestones including record turbine installation times, ROC accreditation and revenue generation from power sales. When coupled with the success of the SIMEC announcement in December 2017, this has been the most important year in the Company’s history. The SIMEC partnership provides us with transformational growth prospects as we move into an exciting new era, building a diversified sustainable energy business of material scale with the support of SIMEC and the GFG Alliance.

Our focus now is on progressing the proposed conversion of the Uskmouth power station. We also remain focused on seizing the opportunities associated with the GFG Alliance’s high quality renewable power asset pipeline by acquiring and developing operational, cash yielding projects to drive the business forward and create a renewable energy platform that will deliver attractive returns for our shareholders. ”



Uskmouth Power Station

HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

- ▶ In December 2017 SIMEC Atlantis Energy Limited (“Atlantis” or the “Company”) announced a deal to create a diversified renewable energy platform of scale by agreeing to acquire the entire issued share capital of SIMEC Uskmouth Power Limited (“SUP”) from SIMEC UK Energy Holdings Limited, a member of the GFG Alliance.
 - ▶ Consideration for the Acquisition comprises the issue by Atlantis to SIMEC of new Atlantis Ordinary Shares resulting in SIMEC holding Atlantis Ordinary Shares representing 49.99 per cent. of the Enlarged Share Capital of Atlantis.
 - ▶ Following the acquisition, it is proposed that 220MW of capacity at the SUP power station in Wales will be converted to use a waste derived energy pellet as fuel.
 - ▶ The transaction is intended to be the first of a number of acquisitions from the GFG Alliance that will transform Atlantis into a diversified energy company of scale owning development and generating assets across the sustainable energy spectrum, supplementing its existing portfolio of tidal assets.
- ▶ 2017 saw significant progress on the flagship MeyGen Phase 1A tidal energy project, with all four turbines successfully installed and generating power to the grid during the year resulting in ROC accreditation and revenue generation.
- ▶ Formal completion of the construction phase was achieved in early 2018. The array has generated more than 7GWh of energy to date and in March 2018 set a new world record for monthly production from a tidal stream array, generating 1,400MWh.
- ▶ In November 2017, signed heads of terms with the Duchy of Lancaster for an option for the long-term lease of the riverbed required to develop the Wyre estuary tidal barrage and flood protection project.

FINANCIAL HIGHLIGHTS

- ▶ The consolidated group cash position at 31 December 2017 was £5.6 million (2016: £10.2 million), including £3.8 million held at MeyGen Limited (2016: £8.6 million).
- ▶ Initial revenue recognised on the MeyGen project following successful takeover of three turbines in Phase 1A of the project during H2 2017.
- ▶ Group loss for the year of £10.6 million (2016: £7.3 million).
- ▶ Group total equity at 31 December 2017 of £60.2 million (2016: £66.6 million).
- ▶ In May 2017, Atlantis raised £4.1 million before expenses from new and existing shareholders. In July 2017, Atlantis raised a further £5.0 million, before expenses, through a five year bond with a coupon of 8%, maturing in 2022. Funds raised continue to be used for incremental project development activities across the Atlantis portfolio and to secure opportunities for portfolio growth.

POST YEAR END HIGHLIGHTS

- ▶ In April 2018, the MeyGen Phase 1A project completed the construction phase and officially entered the 25 year operations phase. At 6MW capacity, MeyGen is the world’s largest tidal stream array.
- ▶ In the period from April to June 2018, Atlantis raised £5.0 million, before expenses, through a second five year bond launched through Abundance investment platform.
- ▶ In May 2018, an equity fundraising raised £20.0 million to secure working capital funding for the enlarged group, subject to completion of the acquisition of SUP which has now occurred.
- ▶ On 15 June 2018 the Company successfully completed the acquisition of SUP, the owner of a power plant in South Wales which the Group intends to convert to use waste derived energy pellets as fuel.
- ▶ Following shareholder approval of the SUP transaction, the Company changed its name to SIMEC Atlantis Energy Limited (formerly Atlantis Resources Limited).
- ▶ The Group continues to pursue tidal stream projects globally and has recently submitted a strategic plan to the French government setting out plans to deliver 1GW of power by 2025 at le Raz Blanchard.

ABOUT US

SIMEC Atlantis Energy Limited, (“Atlantis” or the “Company”) formerly known as Atlantis Resources Limited, and its subsidiaries¹ (the “Group”) is a global developer of renewable energy projects with more than 1,000 megawatts in various stages of development. This includes the world’s flagship tidal stream project, MeyGen².

The core business of Atlantis is the development, financing, construction and operation of large scale, renewable energy projects in the United Kingdom, Europe, North America, Asia and emerging markets. Atlantis delivers world class renewable project development strategies and, through their turbine and engineering services division, designs, supplies and maintains tidal turbines and subsea connection equipment.

As global leaders in the tidal power sector, Atlantis are now using their expertise to create a diversified portfolio of sustainable generation projects in partnership with SIMEC and the GFG Alliance. The GFG Alliance is a London-headquartered international group of businesses combining energy generation, metal manufacturing, engineering, natural resources and financial services, working together to deliver a common business strategy. It has total revenues of approximately \$10 billion per annum, net assets of around \$1.5 billion and nearly 11,500 employees across more than 30 countries. Through its forward-looking GREENSTEEL strategy, the GFG Alliance promotes industrial revival based on low-carbon and sustainable production methods.

For more information visit the Company’s website at www.simecatlantis.com

¹ SIMEC Atlantis Energy Limited is the parent Company of a number of subsidiaries which together comprise a group within the definition of International Financial Reporting Standard (“IFRS”) 10, ‘Consolidated Financial Statements’, as issued by the International Accounting Standards Board (“IASB”) and as adopted by the European Union (“EU”).

² Atlantis is the indirect majority owner of the MeyGen project through its 92% shareholding in its subsidiary Tidal Power Scotland Limited, which owns 83.5% of MeyGen Limited alongside Scottish Enterprise (16.5%).

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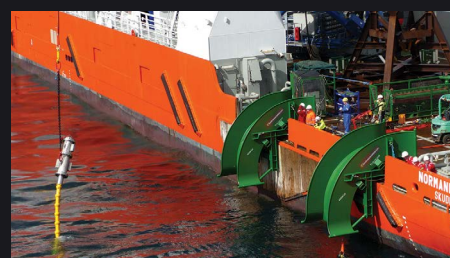
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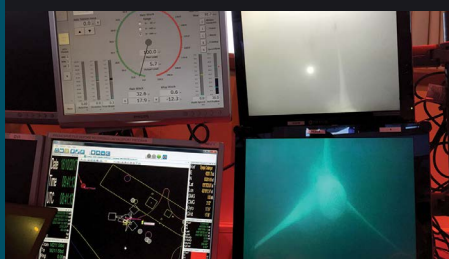
The Normand Jarstein DP Vessel installing the third 1.5MW Andritz Hydro Hammerfest tidal turbine



The 1.5MW AR1500 Atlantis tidal turbine being lowered into the water during installation



Tidal turbine cable connection works underway at the MeyGen site



Monitoring a remotely operated vehicle subsea



One of the 121 MW Turbines in the Uskmouth Power Station turbine hall



Uskmouth power station

CHAIRMAN'S STATEMENT



Chairman

John Neill

In writing my annual statement I have the privilege, almost invariably, of being able to describe a year of world firsts and 2017 and the first months of 2018 have proven no exception. Since I last wrote, the Group has been through perhaps its most transformational period yet, successfully completing its acquisition of the Uskmouth power station and announcing the full transition to the operational phase for its flagship MeyGen project. This has all only been possible due to the hard work and dedication of our management team, employees and other stakeholders, all of whom have been absolutely critical in the successes we have achieved in our journey to date. We have a clear trajectory for growth and have delivered on our aspirations to diversify whilst continuing our commitment to the tidal stream business which has been the proving ground for our capabilities in project development, technology delivery and now power generation.

The 6MW first phase of the MeyGen project has now accumulated over 7GWh of generation – enough to meet the annual electricity needs of over 2,000 homes – and we are continuing to drive the cost reductions which, with the right support, could enable the further build out of the site to its full capacity of almost 400MW. The MeyGen project is integral to the Group, and its development from inception to a fully-fledged operational project reflects the growth and evolution of the wider business over the past decade.

The latest step in this evolution is the acquisition of the Uskmouth power station in South Wales, and with it the creation of a new and close relationship with the GFG Alliance, a multi-billion dollar global presence in mining, energy, metals and engineering. Following the Extraordinary General Meeting in June 2018 we welcome the SIMEC group as our largest Shareholder, contributing Uskmouth in exchange for 49.99% of the shares in the enlarged Group. In recognition of our new relationship and the bringing together of a wealth of complementary skills and resources, the Group has been re-christened as SIMEC Atlantis Energy Limited. The Group has also been granted a right of first offer in respect of the GFG Alliance's pipeline of renewable energy and energy storage assets, which currently include over 700MW of hydro, pumped storage, onshore wind, solar, battery storage and biofuel projects. More than a third of this capacity is already operational.

The recent Admission Document published in connection with the Uskmouth acquisition explains the transaction in more detail, including in relation to our aspirations for the Uskmouth power station itself. Over the next 12 months we will be pressing forward with plans to convert this obsolete coal fired power station into 220MW of sustainable capacity fired by a waste derived energy pellet which will be produced for Uskmouth by a joint venture between the GFG Alliance and the Dutch recycling group, N+P. Our studies to date show that we can carry out this conversion using the existing boilers and turbines, and ensure that the power station can continue to generate for another 20 years whilst meeting the latest emissions standards. The manufacture of the new energy pellets, which will include approximately 50% waste biomass, will also help to divert waste from landfill and instead create a useful fuel product which can displace coal in the generation mix. We aim to start the conversion works in 2019, and to commence generation by the end of 2020.

Support for this phase of our evolution is evident in the recent equity placing, in which we raised £20 million from new and existing Shareholders to support our growth and development. This adds to the very successful £5 million bond raise which we launched on the Abundance platform in 2017, and our more recent bond raise launched on the same platform at the end of January 2018 through which investors have contributed a further £5.0 million. We are delighted by the support shown by Shareholders old and new, and I extend my thanks and look forward to sharing in our success with you.

ANNUAL GENERAL MEETING

Our Annual General Meeting will be held on 19 July 2018 and the notice of the meeting accompanies this annual report. I look forward to this opportunity to meet our Shareholders.

John Neill
Chairman

16 June 2018

CHIEF EXECUTIVE OFFICER'S STATEMENT



Chief Executive Officer

Timothy Cornelius

UPDATE

The first phase of the MeyGen project is now operational and demonstrates our capabilities across all three core activities of the Group: power generation, project development and technology delivery. The project development pipeline is significantly enhanced by the acquisition of the Uskmouth power station, which we aim to return to operations as a sustainably fuelled 220MW power station by the end of 2020, further boosting our power generation business. Our relationship with the GFG Alliance, with its current portfolio of over 700MW of operating and development renewable energy assets, provides a pathway for further growth in both power generation and project development, whilst the technology delivery function, bolstered by experience at MeyGen, is critical to the success of the Group's tidal stream opportunities worldwide.

As the majority owner of the world's only multi-megawatt operational tidal stream array, the Group has cemented its position in the vanguard of the marine energy sector, and we aim to use this advantage to originate new projects and markets around the world. Since our 2016 report we have redoubled our efforts in France, a nation which proved its visionary credentials with the 240MW tidal barrage project at La Rance in the 1960s, and which we estimate shows potential for 5GW of new tidal stream projects.

In Europe, only the UK has more tidal stream resource, and with over 500MW of seabed options awarded to the Group we are also well positioned to continue to grow in the UK. In the 2017 auctions for contracts for difference we submitted an application to enable construction of a further 80MW of capacity at our MeyGen site. The price we submitted was significantly below the administratively set strike price for tidal stream projects, and represented a reduction in subsidy support of two thirds versus that awarded to the first phase (Phase 1A) of MeyGen under the Renewables Obligation (the previous mechanism for supporting development of renewable technologies). However, on this occasion the vast majority of the available contracts were awarded to large offshore wind projects, and our application was unsuccessful. We continue to engage with the UK and Scottish

Governments to ensure we can build on the success of MeyGen Phase 1A, and we anticipate participating in the next auction rounds in 2019.

In South Korea we have entered into a strategic partnership agreement with offshore construction giant Hyundai Engineering & Construction, covering collaboration on the development of ocean power projects globally. The particular focus is on the development of the domestic tidal stream market in South Korea but the partnership also covers international opportunities and those in tidal range and floating offshore wind. The first step is envisaged to be the development of a 100MW tidal stream project in South Korea. Elsewhere in Asia we have secured a nine month concept design and front-end engineering contract with IT Power Energised to design a turbine system to be deployed in China with the China Three Gorges Corporation as the principal client.

With an ever increasing focus on commercial scale projects, we have agreed to sell our 50% stake in our Canadian demonstration vehicle to our joint venture partner, the DP Energy group. Canada is a very exciting market with immense resource and we look forward to pursuing commercial opportunities there in the future.

As the Chairman has explained, since our 2016 report we have made great progress in our goal of diversification, most significantly through the Uskmouth acquisition and the opportunities we anticipate through our new close relationship with the GFG Alliance. We have also added the Wyre tidal range opportunity to our portfolio, entering into heads of terms with the Duchy of Lancaster which set out the key parameters for an option agreement covering the necessary riverbed.

I am confident that we have laid firm foundations for significant growth into a diversified sustainable energy company with a mix of development and operational assets around the world, and I am gladdened that we have done this whilst preserving our entrepreneurial identity, passion for innovation and commitment to sustainable energy solutions. As Seneca said: "Luck is what happens when preparation meets opportunity." With our proven ability to seek out and take advantage of opportunities, our fortunes should be bright indeed.

CHIEF EXECUTIVE OFFICER'S STATEMENT

SUMMARY OF RESULTS

For the year ended 31 December 2017, the Group recorded a post tax loss of £10.6 million, compared to a £7.3 million loss in the prior year.

The current year loss includes one-off costs relating to advisor fees for the acquisition of SIMEC Uskmouth Power Limited, which completed on 15 June 2018, and the write down of the loan due from Atlantis Operations (Canada) Limited as a result of the decision to exit the joint venture.

Revenue from power sales on the Meygen project of £0.3 million in the year relates to power generation post commissioning of the individual turbines late in 2017. The entire Meygen Phase 1A project entered the 25 year operating phase at the end of Q1 2018 and as a result power sale revenues are expected to significantly increase in 2018. Other income of £3.0 million relating to grant income and damage claims was also recognised in the year.

Total expenses for the year were £12.8 million (2016: £9.1 million). In addition to the one off costs described above, costs associated with power sales were recognised for the first time in 2017.

The Group's closing net asset balance was £60.2 million (2016: £66.6 million). In May 2017, the Group raised approximately £4.1 million through a successful share issue. A further £5.0 million was raised through the bond fundraising with Abundance Investments in July 2017. £2.1 million of existing debt was repaid with these fundraising proceeds. Fixed asset spend in the year primarily relates to completion of the Meygen Phase 1A project.

Post year-end, the Company raised approximately £25.0 million through a successful share issue and a second bond fundraising with Abundance Investments. This fundraising along with the completion of the acquisition of SIMEC Uskmouth Power Limited on 15 June 2018 means the Group is well placed to progress with its exciting portfolio of renewables projects.



Timothy Cornelius
Chief Executive Officer

16 June 2018

BOARD OF DIRECTORS



JOHN MITCHELL NEILL CBE, *Independent Non-Executive Director and Chairman*

John Neill became a non-executive Director and 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.



TIMOTHY JAMES CORNELIUS, *Chief Executive Officer*

Tim Cornelius became Chief Executive Officer of the Company in 2006 and joined the Board on 11 December 2013. Prior to joining the Company, Tim 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. Tim has a BSc in Marine Biology from Flinders University and an MBA from Bond University.



ANDREW LUKE DAGLEY, *Chief Financial Officer*

Andrew Dagley joined the Company in early 2014 from IFM Investors, a global fund manager with around A\$100 billion under management, having previously worked with a range of superannuation infrastructure investors, renewable energy project developers and Flinders Corporate Finance, a boutique investment bank. Andrew has been the Chief Financial Officer of Atlantis since 3 August 2017 and joined the Board on 15 June 2018. He has over 12 years of experience in infrastructure investment with an emphasis on renewable energy, having worked on a range of wind, solar, hydroelectric and biomass projects in Australia, Brazil, Chile, China, India and the UK. He has a Bachelor of Commerce (Hons) Finance from the University of Melbourne.



MARK EDWARD MONCKTON ELBORNE, *Non-Executive Director*

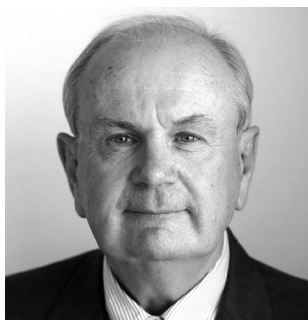
Mark Elborne was President and Chief Executive Officer at GE UK and Ireland, General Electric Company, from 2009 until his recent retirement in 2018. GE is one of the largest industrial manufacturers globally and in the UK where it has over 18,000 employees in over 50 industrial sites. Mark's key focus was leading GE's businesses in the energy, aviation, oil and gas, digital and healthcare sectors, working closely with customers and governments. 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 Regulation in EMEA. Prior to GE, 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 Exeter University, and was admitted to the Missouri Bar in 2004. Mark is a nominated Board representative of the Company's major shareholder, SIMEC, and joined the Board on 15 June 2018.

BOARD OF DIRECTORS



JAY HAMBRO, Non-Executive Director

Jay Hambro is currently Chief Investment Officer of the GFG Alliance and Chief Executive Officer of Mining and Energy at SIMEC. Jay leads the GFG Alliance's global investment and development programme and sits on the Strategy Board. Jay's day-to-day role at SIMEC is focused on its worldwide development in clean power generation and a global portfolio of mining operations. After graduating in business management, Jay began his career in resource finance with NM Rothschild & Sons, before moving to the investment bank of HSBC, advising multinational mining groups. He then joined what is now the Petropavlovsk plc group in a business development role and later as Chief Investment Officer before spearheading the development of their industrial commodity divisions as Aricom plc and more recently at IRC Limited. He led IRC as Executive Chairman to the successful development, construction and operation of a number of greenfield mining operations in the Russian Far East delivering industrial commodity products across the border to China. In 2016 he relinquished his executive responsibilities to assume the position at the GFG Alliance. Jay has held a number of other Board positions and remains a Non-Executive Director of Cellmark AB, the Swedish headquartered pulp, paper, packaging and recycling business. 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.



IAN ANTHONY MACDONALD, Independent Non-Executive Director

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



JOHN ANTHONY CLIFFORD WOODLEY, Non-Executive Director

John Woodley joined the Board on 22 September 2008. He was previously co-head of the power and gas-related commodity business for Europe and Asia at Morgan Stanley. He founded the very successful US electricity trading operations for Morgan Stanley in New York in 1994. After ten years with Morgan Stanley in New York, John moved to London to help build the electricity and electricity-related energy business outside the US. John is now based in Switzerland and acts as a senior adviser to Morgan Stanley. John has a BSc Eng (Elec) from Wits University, Johannesburg, an MBA from Valdosta State University, Georgia and an MS Finance from Georgia State University.

The following individuals were on the Board of the Company during the financial year ended 31 December 2017 and resigned from office on 15 June 2018:

DUNCAN STUART BLACK, Former Non-Executive Director

Duncan Black joined the Board on 11 December 2013 and resigned from the Board on 15 June 2018. Duncan was the Group's CFO from 2012 to 2015, and prior to that held positions as the CEO of an Asian infrastructure fund, CFO of CLP Holdings' Australian electricity and gas utility (now Energy Australia), and business development and finance roles with CLP Holdings Ltd and InterGen, focused on power projects in Asia and Australia.

MICHAEL ROBERT LLOYD, Former Non-Executive Director

Mike Lloyd was appointed to the Board on 11 December 2013 and resigned from the Board on 15 June 2018. He has more than forty years of experience in engineering, manufacturing and supply chain roles in the electrical machinery and power sectors. His senior leadership roles have included Group Manufacturing Director of Rolls Royce plc, President of Rolls Royce Gas Turbines Operations, Technical Director of GEC Large Machines and Managing Director of Alstom Transport and Chairman of Magnomatics.

IAN GEORGE COBBAN, Former Non-Executive Director

Ian Cobban was appointed to the Board on 3 August 2015 and resigned from the Board on 15 June 2018. He has over 30 years' experience in the subsea construction, operations and maintenance industry and is currently Chief Operating Officer of the Global Energy Group.

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 2017.

CORPORATE GOVERNANCE

The Corporate Governance Report on pages 12 to 17 forms part of the Directors' Report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

On 13 June 2018, the Shareholders approved a transformational deal to acquire SIMEC Uskmouth Power Limited, in consideration for which the SIMEC Group acquired 49.99% of the shares in the Company. The transaction is described in more detail on page 74.

During 2017, the focus of the Group was as a vertically-integrated turbine supplier and project developer in the tidal power industry. The Group holds equity positions in a diverse portfolio of tidal stream development projects. Further information on the Group's activities is contained in the Chief Executive Officer's Statement on pages 5 and 6.

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

DIRECTORS

The Directors who served in office for the year ended 31 December 2017 were as follows:

John Neill – *Independent Non-Executive Chairman*

Timothy Cornelius – *Chief Executive Officer*

Duncan Black – *Non-Executive Director*

Michael Lloyd – *Independent Non-Executive Director*

Ian Macdonald – *Independent Non-Executive Director*

John Clifford Woodley – *Non-Executive Director*

Ian Cobban – *Independent Non-Executive Director*

Their biographies are shown on pages 7 and 8.

The Board composition changed on 15 June 2018. Duncan Black, Michael Lloyd and Ian Cobban resigned from the Board; whilst Andrew Dagley, Mark Elborne and Jay Hambro joined the Board on that date. Further detail of the Board changes can be found in the Corporate Governance Report on pages 12 to 17.

DIRECTORS' REMUNERATION

The report on Directors' remuneration is set out on pages 21 to 24.

DIRECTORS' INTERESTS IN SHARES

The interests of Directors in shares of the Company are disclosed in the Remuneration Report on pages 21 to 24.

DIRECTORS' REPORT

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will take place on Thursday 19 July 2018 at 2.00pm at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2HA.

This report was approved by the Board on 16 June 2018 and signed on its behalf.

By order of the Board of Directors.



John Neill
Chairman of the Board
16 June 2018



Timothy Cornelius
Chief Executive Officer

The Atlantis Operations team installing a tidal turbine at the MeyGen site



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 to the extent that the Directors consider appropriate, and having regard to the size of the Group, its stage of development, resources and the nature of its operations.

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.

THE BOARD OF DIRECTORS

During 2017, the Board comprised of seven Directors: an independent Non-Executive Chairman, three independent non-executive Directors, two non-independent non-executive Directors and one executive Director: the Chief Executive Officer.

The Directors of the Company were in office during the whole of the year ended 31 December 2017. Subsequent to the year-end, the composition of the Board changed following the acquisition of SIMEC Uskmouth Power Limited.

On 15 June 2018, Duncan Black, Michael Lloyd and Ian Cobban resigned from the Board and Andrew Dagley, who was appointed as Chief Financial Officer on 3 August 2017, was appointed to the Board. On the same date, Mark Elborne and Jay Hambro joined the Board as representatives of the SIMEC Group, the Company’s largest Shareholder. The newly constituted Board is comprised of an independent non-executive Chairman, one independent non-executive Director, three non-independent non-executive Directors and two executive Directors.

Director biographies illustrating their relevant skills and experience can be found on pages 7 and 8.

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.

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 14 to 16.

CORPORATE GOVERNANCE REPORT

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. John Woodley's material relationship with the Company's shareholder, Morgan Stanley, leads to him being designated as a non-independent Director.

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 Atlantis 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 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 2017, the number of scheduled Board meetings attended by each Director was as follows:

	Attended
John Neill	7/7
Timothy Cornelius	7/7
Duncan Black	7/7
Mike Lloyd	7/7
Ian Cobban	7/7
John Woodley	6/7
Ian Macdonald	6/7

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

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.

In 2017 the Nomination Committee oversaw a board evaluation process that was conducted via questionnaires, specifically designed to assess the strengths and weaknesses of the Board and its Committees. The questionnaires were completed by each Director and the senior management team and the assessment covered the functioning of the Board as a whole and the individual performance of the Directors. The results of the Board evaluation process were reviewed and discussed by the Nomination Committee and then the Board as a whole.

As a result of the evaluation, the Board considered that the non-executive Directors, both independent and non-independent, contributed a wide range of skills and experience, forming a strong element within the Board and had a key role in constructively challenging in all areas. The Board further concluded that the Chairman remained independent and his performance was satisfactory, with strong leadership capability.

Following the evaluation exercise the Board have agreed an action plan, overseen by the Nomination Committee and aimed at further improving the strength and effectiveness of the Board as the Company grows.

The Directors appointed to the Board on 15 June 2018 bring a balance of skills, knowledge and significant experience to the Board.

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. Each of the non-executive Directors brings individual character and judgement to bear on strategic matters and the performance 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.

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 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 Annual General Meeting ("AGM"), which will be applied at the 2018 AGM.

Accordingly, Andrew Dagley, Jay Hambro and Mark Elborne will stand for election at the forthcoming AGM. Tim Cornelius will also stand for re-election at the forthcoming AGM.

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

BOARD COMMITTEES

The Board delegates authority to four Board Committees, including three committees recommended by the QCA guidelines: the Nomination Committee, the Remuneration Committee and the Audit Committee, as well as the 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 at www.simecatlantis.com. These terms of reference will be reviewed and updated during 2018.

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.

Directors' attendance at Committee meetings (in their capacity as members of each Committee) held during 2017 is provided in the table below:

Member/Committee:	Audit Committee Attended	Remuneration Committee Attended	Nomination Committee Attended	Technology Committee Attended
John Neill	-	3/3	3/3	-
Duncan Black	3/3	-	-	-
Mike Lloyd	-	3/3	3/3	3/3
Ian Cobban	-	-	-	2/3
John Woodley	2/3	2/3	3/3	3/3
Ian Macdonald	3/3	-	-	-

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.

AUDIT COMMITTEE

Chairman: Ian Macdonald (Prior to 15 June 2018: Ian MacDonald)

Members: Mark Elborne and John Woodley (Prior to 15 June 2018: John Woodley and Duncan Black)

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

The Chairman of the Audit Committee has held senior financial positions in other listed companies, and the Board is satisfied that he has recent and relevant financial experience.

CORPORATE GOVERNANCE REPORT

The Audit Committee is required to meet no fewer 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 regards 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 three times during the course of 2017 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 18 to 20.

REMUNERATION COMMITTEE

Chairman: Mark Elborne (Prior to 15 June 2018: John Neill)

Members: John Neill and John Woodley (Prior to 15 June 2018: Michael Lloyd 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.

In 2017 the Remuneration Committee reviewed and recommended to the Board a remuneration package for the newly appointed Chief Financial Officer, which was approved by the Board.

The Remuneration Committee met on three occasions during the course of 2017.

The Directors' Remuneration Report from the Remuneration Committee is set out on pages 21 to 24.

NOMINATION COMMITTEE

Chairman: John Neill (Prior to 15 June 2018: John Neill)

Members: Tim Cornelius and Jay Hambro (Prior to 15 June 2018: Michael Lloyd and John Woodley)

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.

CORPORATE GOVERNANCE REPORT

The Nomination Committee met three times 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 the 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 (Prior to 15 June 2018: Michael Lloyd)

Members: Mark Elborne and Tim Cornelius (Prior to 15 June 2018: John Woodley and Ian Cobban)

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

The Technology Committee met three times during the year.

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 has 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 levels and segregation of duties for financial management;
- ▶ an annual budgetary process to set the appropriate target for monitoring the progress of the Group;
- ▶ monthly financial reporting to the Board;
- ▶ reporting on any material non-compliance with internal financial controls and procedures; and
- ▶ review of the audit findings report issued by external auditor.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDER ENGAGEMENT

The Company is committed to ensuring that there is effective communication with Shareholders on matters such as governance and strategy so that the Board understands the views of large Shareholders on these issues and that Shareholders receive a balanced and consistent view of the Company's performance. Communication is primarily through the AGM which provides an opportunity for Shareholders to meet and ask questions of Directors and management. 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. The Company's Annual Report and Accounts are made available on the Company's website.

MAJOR SHAREHOLDER AND SHAREHOLDER ARRANGEMENT

On 21 May 2018 the Company and SIMEC UK Energy Holdings Limited, which holds 49.99% 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 Neill
Chairman of the Board

16 June 2018

AUDIT COMMITTEE REPORT

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

The Audit Committee is comprised of 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 pages 12 to 17.

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 (“CEO”) and Chief Financial Officer (“CFO”) may attend meetings by invitation and other members of the senior management team attend as required. The audit partner and audit manager from the Company’s external auditor are invited to attend meetings 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;
- ▶ 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 may arise during the course of the year.

AUDIT COMMITTEE REPORT

MATTERS CONSIDERED DURING THE YEAR

The Audit Committee met three times during the year and two times post year end. At those 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;
- ▶ The audit plan and fees;
- ▶ 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 mindset. It has considered the application of materiality, the auditor's assessment of risks of material misstatements and how management has been responsive to the audit. No significant accounting issues have been identified during the reporting period.

The Audit Committee considers the two most significant judgement areas within the 2017 financial statements to be the carrying value of tangible and intangible assets, and the going concern assumptions. The Audit Committee reviewed the Group valuation review of assets undertaken during the year and related assumptions, and has satisfied itself that the parameters and justifications in respect of the valuations fall within a reasonable range.

In relation to going concern, the Audit Committee has considered the financial forecasts prepared for the period of more than one year subsequent to the date of signing of the financial statements. The Group must operate within its available cash resources to meet its liabilities as they fall due. As set out in note 2.1, the Group's financial statements show that this can be achieved. The Audit Committee debated the cash flow forecasts, including the key assumptions and sensitivities, and was satisfied that it is appropriate for the Company to prepare the financial statements on a going concern basis.

The Audit Committee considered the need for an internal audit function and has determined that there is no need for an internal audit function given the limited size of the Company and the robustness of the internal controls. It has been agreed that the Audit Committee will consider the need for an internal audit function on an annual basis.

The Audit Committee monitored and reviewed the effectiveness of the external audit process; it has undertaken a review of the audit plan and the audit results report. It also met with the external Auditor without the presence of the management team during the year. The Audit Committee assessed the performance of the Auditor in respect of the Annual Report. No concerns were raised in respect of the year just ended.

AUDIT COMMITTEE REPORT

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

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

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

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.



Ian MacDonald

Chairman of the Audit Committee

16 June 2018

DIRECTORS' REMUNERATION REPORT

This report includes details of the Directors' remuneration in 2017. 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 15.

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 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"), the following Directors of the Company holding office at the end of the financial year had interests in the shares or debentures of the Company and its related corporations, have shareholdings in the Company detailed as follows:

	Shareholdings registered in the name of Directors		Shareholdings in which Director are deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Ordinary shares				
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	–	–
Michael Lloyd	188,287	188,287	–	–
Ian Macdonald	125,020	125,020	–	–

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

DIRECTORS' REMUNERATION REPORT

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

The CEO and CFO 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 2017 and 31 December 2016. This includes any pension and employer's National Insurance contributions and excludes share-based payments.

Director	Annual remuneration	
	2017 £'000	2016 £'000
John Neill	75	75
Timothy Cornelius ⁽¹⁾	321	329
Duncan Black ⁽²⁾⁽³⁾	40	25
Michael Lloyd ⁽³⁾	36	36
Ian Macdonald ⁽²⁾	40	39
John Woodley ⁽²⁾	40	39
Ian Cobban ⁽³⁾	36	36

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

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

(3) Duncan Black, Michael Lloyd and Ian Cobban resigned from the Board on 15 June 2018.

On 15 June 2018 Andrew Dagley, Mark Elborne and Jay Hambro were appointed to the Board. None of these individuals received remuneration as directors of the Company during the financial year to 31 December 2017.

Whilst not a Board member, the Remuneration Committee reviewed and recommended to the Board a remuneration package for the newly appointed CFO, which was approved by the Board. The CFO was appointed to the Board on 15 June 2018.

DIRECTORS' REMUNERATION REPORT

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, other than the options granted to Timothy Cornelius, there has been no change to vesting dates.

The options granted to these Directors in office at 31 December 2017 are shown below:

Name	Date of grant	Ordinary shares	Nature of award	Exercise price	Vesting period
Timothy Cornelius ⁽¹⁾	30 September 2016	1,000,000	Option	£0.50	1/3 on 11 Dec 2016, 1/3 on 11 Dec 2017 and 1/3 on 11 Dec 2018
Duncan Black	20 February 2014	851,064	Option	£0.94	1/3 on each of first, second and third anniversary of grant
John Neill	20 February 2014	1,063,830	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Michael Lloyd	20 February 2014	106,383	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Ian Macdonald	20 February 2014	265,958	Option	£0.94	1/3 on each of first, second and third anniversary of grant

(1) During 2016, the 1,063,830 share options with an exercise price of £0.94 were modified and replaced with 1,000,000 share options at an exercise price of £0.50 and vested for three years from 11 December 2015. The awards are exercisable until the tenth anniversary of the date of grant. All other terms and conditions remain the same.

Vested awards for Directors, other than Timothy Cornelius, are exercisable up until the fifth 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 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.

DIRECTORS' REMUNERATION REPORT

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 01.01.2017	Granted	Exercised	Cancelled/ lapsed	Balance at 31.12.2017	Exercise price per share	Exercisable period
20.02.2014	3,031,916	-	-	-	3,031,916	£0.94	20.02.2014 to 20.02.2019
01.01.2016	650,000	-	-	-	650,000	£0.50	01.01.2016 to 01.01.2026
30.09.2016	1,000,000	-	-	(300,000)	700,000	£0.50	30.09.2016 to 30.09.2026
05.12.2016	1,195,000	-	-	(225,000)	970,000	£0.50	05.12.2016 to 05.12.2026
21.12.2017	-	336,000	-	-	336,000	£0.50	21.12.2017 to 03.08.2020
21.12.2017	-	300,000	-	-	300,000	£0.50	21.12.2017 to 29.09.2020
Total	5,876,916	636,000	-	(525,000)	5,987,916		

(b) Company Share Option Plan

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

Date of grant/ modification	Balance at 01.01.2017	Granted	Exercised	Cancelled/ lapsed	Balance at 31.12.2017	Exercise price per share	Exercisable period
10.11.2016	485,714	-	-	(114,304)	371,410	£0.70	11.11.2016 to 11.11.2026
Total	485,714	-	-	(114,304)	371,410		

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

SHAREHOLDER VOTE AT THE ANNUAL GENERAL MEETING

The 2017 Directors' Remuneration Report will once again be put to an advisory Shareholder vote at the 2018 AGM. The Remuneration policy remains unchanged for 2017.

The 2016 Directors' Remuneration Report was approved by Shareholders at the Company's AGM held on 29 June 2017.

Approved and signed on behalf of the Board.



Mark Elborne

Chairman of the Remuneration Committee

16 June 2018

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 2017.

In our opinion:

- ▶ the financial statements set out on pages 32 to 76 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 2017 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
16 June 2018



Timothy Cornelius
Chief Executive Officer

Uskmouth power station 100m stack



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



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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SIMEC Atlantis Energy Limited (formerly known as Atlantis Resources Limited) (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of changes in equity for the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 32 to 76.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards (IFRS) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Going concern basis of accounting

(Refer to Note 2.1 to the financial statements)

The key audit matter

The Group incurred a net loss of £10.6 million during the year ended 31 December 2017. As at 31 December 2017, its current liabilities exceed its current assets by £3.9 million and it had loans and borrowings of £37.9 million, of which £5.5 million is due within 12 months from 31 December 2017. At the date of approval of these financial statements, the Group had recently raised £20 million, before expenses, following a share placement and £5.0 million from a bond issuance (Note 30) which will give it sufficient available cash resources to meet its liabilities as they fall due in the next 12 months.

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

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

In order to assess its ability to continue as a going concern, management has prepared cash flow forecasts, including sensitivity analysis. These forecasts which include the proceeds from the bond and equity issues take into account all committed costs of the Group and only committed income, demonstrate that the Company is able to operate within its available cash and funding balances for a period beyond 30 June 2019.

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

How the matter was addressed in our audit

We assessed the principles and integrity of the financial forecast.

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

We challenged management's assumptions concerning the timing of receipt of future grant payments by inspecting relevant correspondence and considering the likelihood that the relevant conditions for receipt will be met. We performed a sensitivity analysis on the financial forecasts by removing forecast receipts of revenue which are uncertain and delaying the forecast receipt of amounts which are subject to timing risk and assessing the impact on anticipated headroom.

We considered the adequacy of the required disclosures in Note 2.1 to the financial statements with reference to relevant accounting standards.

Our findings

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

Impairment assessment of Intangible Assets and Property, Plant and Equipment ("PPE") (Refer to Notes 11 and 12 to the financial statements: Net Book Value £101 million)

The key audit matter

Intangible assets and PPE form 92% of the Group's total assets. They consist of the costs associated with the current project under development (MeyGen) together with acquired turbine technology assets and sea bed options. The assets are categorised into cash generating units ("CGUs"). In assessing the recoverable amount of these CGUs the Group has used discounted cash flow models to calculate their value in use. Due to the stage of development of the Group's assets, there is significant judgement and estimation involved in preparing the cash flow models. There is a risk of impairment if the value in use is lower than the carrying value of the assets.

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

How the matter was addressed in our audit

Our procedures included:

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

Our findings

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

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

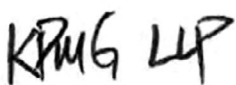
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

16 June 2018



Uskmouth power station cooling towers

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Revenue	4	301	235
Other gains and losses	5	2,984	2,824
Employee benefits expenses		(4,696)	(4,782)
Subcontractor costs		(1,359)	(249)
Depreciation and amortisation	10,11	(1,878)	(1,611)
Research and development		(81)	(140)
Other operating expenses		(4,793)	(2,326)
Total expenses		(12,807)	(9,108)
Results from operating activities		(9,522)	(6,049)
Finance costs	7	(1,617)	(1,004)
Share of results of equity-accounted investees	12	-	(211)
Loss before tax		(11,139)	(7,264)
Tax credit	8	575	-
Loss for the year	9	(10,564)	(7,264)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(6)	(148)
Total comprehensive loss for the year		(10,570)	(7,412)
Loss attributable to:			
Owners of the Group		(10,843)	(7,716)
Non-controlling interests	12	279	452
Total comprehensive income attributable to:			
Owners of the Group		(10,849)	(7,864)
Non-controlling interests		279	452
Loss per share			
Basic and diluted loss per share	24	(0.09)	(0.06)

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

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	Group		Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Assets					
Property, plant and equipment	10	66,678	62,694	5	10
Intangible assets	11	34,291	36,324	2,091	2,352
Investments	12	-	-	5,369	13,221
Loans receivable	13	168	1,236	12,282	13,281
Trade and other receivables	14	-	-	19,367	17,042
Non-current assets		101,137	100,254	39,114	45,906
Trade and other receivables	14	3,415	4,868	1,094	68
Cash and cash equivalents	15	5,579	10,232	96	10
Current assets		8,994	15,100	1,190	78
Total assets		110,131	115,354	40,304	45,984
Liabilities					
Trade and other payables	16	5,212	10,172	1,564	2,234
Provisions	17	2,206	2,339	291	-
Loans and borrowings	18	5,524	2,790	174	198
Current liabilities		12,942	15,301	2,029	2,432
Provisions	17	1,314	-	-	-
Loans and borrowings	18	32,385	29,592	361	314
Deferred tax liabilities	19	3,255	3,830	-	-
Non-current liabilities		36,954	33,422	361	314
Total liabilities		49,896	48,723	2,390	2,746
Net assets		60,235	66,631	37,914	43,238
Equity					
Share capital	20	95,030	91,220	95,030	91,220
Capital reserve	21	12,665	12,665	-	-
Translation reserve	22	7,161	7,167	(227)	(227)
Option fee		-	6	-	6
Share option reserve		3,477	3,191	3,477	3,191
Accumulated losses		(66,425)	(55,666)	(60,366)	(50,952)
Total equity attributable to owners of the Company		51,908	58,583	37,914	43,238
Non-controlling interests	12	8,327	8,048	-	-
Total equity		60,235	66,631	37,914	43,238

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Attributable to owners of the Company

	Notes	Attributable to owners of the Company						Total £'000	Non- controlling interest £'000	Total £'000
		Share capital £'000	Capital reserve £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000			
Group										
At 1 January 2016		84,918	5,709	7,315	6	3,078	(47,950)	53,076	4,672	57,748
Total comprehensive income for the year										
Loss for the year		-	-	-	-	-	(7,716)	(7,716)	452	(7,264)
Other comprehensive income		-	-	(148)	-	-	-	(148)	-	(148)
Total comprehensive income for the year		-	-	(148)	-	-	(7,716)	(7,864)	452	(7,412)
Transactions with owners, recognised directly in equity										
Issue of ordinary shares	20	6,302	-	-	-	-	-	6,302	-	6,302
Recognition of share-based payments	23	-	-	-	-	113	-	113	-	113
Changes in ownership interest in subsidiary										
Dilution of interest in a subsidiary without change in control		-	6,956	-	-	-	-	6,956	2,924	9,880
Total transactions with owners		<u>6,302</u>	<u>6,956</u>	<u>-</u>	<u>-</u>	<u>113</u>	<u>-</u>	<u>13,371</u>	<u>2,924</u>	<u>16,295</u>
At 31 December 2016		<u>91,220</u>	<u>12,665</u>	<u>7,167</u>	<u>6</u>	<u>3,191</u>	<u>(55,666)</u>	<u>58,583</u>	<u>8,048</u>	<u>66,631</u>
Total comprehensive income for the year										
Loss for the year		-	-	-	-	-	(10,843)	(10,843)	279	(10,564)
Other comprehensive income		-	-	(6)	-	-	-	(6)	-	(6)
Total comprehensive income for the year		-	-	(6)	-	-	(10,843)	(10,849)	279	(10,570)
Transactions with owners, recognised directly in equity										
Issue of ordinary shares	20	3,810	-	-	-	-	-	3,810	-	3,810
Recognition of share-based payments	23	-	-	-	-	364	-	364	-	364
Transfer between reserves		-	-	-	(6)	(78)	84	-	-	-
Total transactions with owners		<u>3,810</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>286</u>	<u>84</u>	<u>4,174</u>	<u>-</u>	<u>4,174</u>
At 31 December 2017		<u>95,030</u>	<u>12,665</u>	<u>7,161</u>	<u>-</u>	<u>3,477</u>	<u>(66,425)</u>	<u>51,908</u>	<u>8,327</u>	<u>60,235</u>

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000
Company							
At 1 January 2016		84,918	(229)	6	3,078	(49,876)	37,897
Total comprehensive income for the year							
Loss for the year		-	2	-	-	(1,076)	(1,074)
Total comprehensive income for the year		-	2	-	-	(1,076)	(1,074)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	20	6,302	-	-	-	-	6,302
Recognition of share-based payments	23	-	-	-	113	-	113
Total transactions with owners		6,302	-	-	113	-	6,415
At 31 December 2016		91,220	(227)	6	3,191	(50,952)	43,238
At 31 December 2016		91,220	(227)	6	3,191	(50,952)	43,238
Total comprehensive income for the year							
Loss for the year		-	-	-	-	(9,498)	(9,498)
Total comprehensive income for the year		-	-	-	-	(9,498)	(9,498)
Transactions with owners, recognised directly in equity							
Issue of ordinary shares	20	3,810	-	-	-	-	3,810
Recognition of share-based payments	23	-	-	-	364	-	364
Transfer between reserves	23	-	-	(6)	(78)	84	-
Total transactions with owners		3,810	-	(6)	286	84	4,174
At 31 December 2017		95,030	(227)	-	3,477	(60,366)	37,914

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss for the year		(11,139)	(7,264)
Adjustments for:			
Grant income	5	(1,052)	(1,958)
Interest income	5	(86)	(127)
Depreciation of property, plant and equipment	10	384	61
Amortisation of intangible assets	11	1,494	1,550
Finance costs	7	1,617	1,004
Share-based payments	6	364	113
Provisions made/written back during the year		610	432
Bad debt provision	13	1,040	-
Share of loss of joint venture, net of tax		-	211
Net foreign exchange		27	(467)
Operating cash flows before movements in working capital		(6,741)	(6,445)
Movements in trade and other receivables		1,734	(1,077)
Movements in trade and other payables		(69)	(5,775)
Net cash used in operating activities		(5,076)	(13,297)
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,306)	(14,150)
Expenditure on project development		(50)	-
Proceeds from grants received		748	-
Net cash used in investing activities		(9,608)	(14,150)
Cash flows from financing activities			
Proceeds from grants received		3,537	5,577
Proceeds from issue of shares	20	4,050	6,539
Share issuance cost	20	(240)	(237)
Proceeds from borrowings		4,950	10,232
Repayment of borrowings	18	(2,100)	-
Interest paid	18	(166)	-
Deposits released		(132)	440
Non-controlling interest		-	3,300
Net cash from financing activities		9,899	25,851
Net decrease in cash and cash equivalents		(4,785)	(1,596)
Cash and cash equivalents at 1 January		8,586	10,182
Cash and cash equivalents at 31 December	15	3,801	8,586

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 June 2018.

1. DOMICILE AND ACTIVITIES

SIMEC Atlantis Energy Limited, formerly known as Atlantis Resources Limited, (the “Company”) is a company incorporated in Singapore. The address of the Company’s registered office is 80 Raffles Place, Level 36, Singapore 048624. The principal place of business is Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG, United Kingdom.

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

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in an equity-accounted investee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

Revised standards

The Company has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- ▶ Disclosure Initiative (Amendments to IAS 7); and
- ▶ Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12).

Other than the amendments to IAS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

From 1 January 2017, as a result of the amendments to IAS 7, the Company has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017 (see Note 18). Comparative information has not been presented.

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 reporting period. All exchange differences are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

At each Balance Sheet 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 prevailing at the Balance Sheet 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

The Company funds its short and medium term funding requirements through a combination of equity and debt. It has recently completed a bond issuance which raised £5.0 million. As part of the process to acquire SIMEC Uskmouth Power Limited the Company undertook an equity raise on 21 May 2018, which at the date of finalisation of these financial statements has resulted in gross funds raised of £20 million.

The directors have prepared financial forecasts for a period beyond 30 June 2019, including sensitivity analysis. These forecasts, which include the proceeds from the equity raise and take into account the ongoing committed costs of the Group, demonstrate that the Company is able to operate within its available cash and funding balances for a period beyond 30 June 2019. The forecasts indicate that the Group is projected to operate within its available cash facilities for the forecast period although mitigating action may be required to be taken in advance of periods when cash and cash equivalents available for use are forecast to be limited.

While the directors cannot envisage all possible circumstances that may impact the Group in the future, the directors believe that, taking account of the forecasts, sensitised forecasts, future plans and available cash resources, the Group will have sufficient resources to support the Company to meet all ongoing working capital and committed capital expenditure requirements as they fall due.

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 balance sheet date.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 7 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

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

Goodwill

The Group measures goodwill at the acquisition date as:

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 are comprised of 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 impairment. Interest is recognised by applying the effective interest method, except for short-term receivables where the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents are comprised of 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

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 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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 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 2.15).

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

Derecognition of financial liabilities

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

2.5. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to profit or loss on a straight-line basis over the term of the lease.

2.6. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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%

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

2.7. Intangible assets

Internally-generated intangible assets - research and development expenditure

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

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

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.

Amortisation

Subsequent to initial recognition, each class of intangible assets 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.

2.8. Impairment

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.

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

2.9. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

2.10. Share-based payments

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

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23. 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.

2.11. Government grants

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

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

2.12. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of sales related taxes. Consulting fees are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Revenue for the sale of equipment is recognised when the risk and rewards of the product are transferred to the customer. Revenue for power sales is recognised based on the quantity of electricity exported and the contracted rate on the date of generation.

2.13. Retirement benefit obligations

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

2.14. Income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

2.15. Finance costs and income

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

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

2.16. Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.17. 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 2018, and have not been applied in preparing these financial statements.

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

▶ *IFRS 15 Revenue from Contracts with Customers*

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

IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The Group has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. Based on its initial assessment, the Group does not expect the changes to have any material impact as the transfer of control for both power generation and consultancy revenue is clearly defined in contracts, and there tends not to be variable consideration associated with such contracts.

▶ *IFRS 16 Leases*

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

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply *IFRS 16* initially on 1 January 2019 using the modified retrospective approach, where the cumulative effect of adopting *IFRS 16* will be adjusted through retained earnings at 1 January 2019.

Following an initial review of the impact of this standard, the Group expects that a number of operating leases will be recognised on the statement of financial position as lease liabilities and ROU assets. The lease charges to the statement of profit or loss will be recognised through amortisation of the asset and unwinding of the discounted value of the finance lease liability through finance costs. This differs from the current operating lease charges. A full review of the impact of the standard is in progress.

▶ *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. Based on its initial assessment, the Group does not expect the changes to have any material impact.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

The Group tests its property, plant and equipment, including the MeyGen project, annually for impairment, or more frequently if there are indicators that it might be impaired. The recoverable amount is supported by the estimated value-in-use of the assets. The key assumptions used are the expected cost to develop and structure to fund the projects forecast operating costs, revenue per MWh and the discount rate to calculate present values. The cash flow forecasts are based on probability and risk weighted sensitised cash flow forecasts using discount rates ranging from 8.5% to 12.5%.

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

Useful lives of intangible assets

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

Recoverability of intangible assets

The Group tests its intangible assets annually for impairment, or more frequently if there are indicators that they might be impaired. The recoverable amount is determined using a value-in-use calculation for each separate cash generating unit. The value-in-use is determined by discounting expected future cash flows. The key assumptions for the value-in-use calculations are the discount rate, the cost of debt, revenue per MWh, forecast operating and capital costs, and forecast turbine sale volumes, sales price and achievable margin. The cash flow forecasts are based on probability and risk weighted sensitised cashflow forecasts using discount rates ranging from 8.5% to 12.5%.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

Cash Generating Units ("CGU")

During the year, the Group performed a review of its CGUs based upon the current Group operating structure and economic characteristics of similar assets. The review resulted in two CGUs – Development Costs and Intellectual Property – being combined into a Turbine Technology CGU. The other CGUs were unchanged following this review.

4. REVENUE

	Group	
	2017 £'000	2016 £'000
Consulting fees	-	235
Power sales	301	-

5. OTHER GAINS

	Group	
	2017 £'000	2016 £'000
Interest income	86	127
Grant income	1,052	1,958
Other income	1,846	739
	2,984	2,824

Other income includes research and development tax credits and liquidated damages income.

6. EMPLOYEE BENEFITS EXPENSES

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

	Group	
	2017 Number	2016 Number
Average number of employees (including executive directors)	48	53

Their aggregate remuneration comprised:

	2017	2016
	£'000	£'000
Wages, salaries and other short term benefits	3,417	3,663
Social security costs	391	486
Share-based payments (Note 23)	364	113
Contributions to defined contribution plan	327	96
Other related costs	197	424
	4,696	4,782

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7. FINANCE COSTS

	Group	
	2017 £'000	2016 £'000
Interest expense arising from:		
– secured bridging loan from a non-controlling interest	433	569
– loans from a related party	62	2
– long term loans	49	23
– secured long term loans	619	302
– long term debentures	166	–
Other finance costs	288	108
	1,617	1,004

8. TAX CREDIT

	Group	
	2017 £'000	2016 £'000
Deferred tax credit		
Reduction in tax rate	575	–

As a result of Atlantis management and control moving from Singapore to the United Kingdom on 1 January 2016, Atlantis 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 19.25% (2016: 20%). The standard rate of UK Corporation tax was 20% and reduced to 19% from 1 April 2017. The Finance Act 2016 includes legislation to further reduce the rate from 1 April 2020 to 17%.

Singapore domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2017 £'000	2016 £'000
Reconciliation of effective tax rate		
Loss before tax	(11,139)	(7,264)
Tax at the domestic rates applicable to losses in the country concerned	(2,129)	(1,359)
Non-allowable items at rates concerned	650	267
Non-taxable income at rates concerned	(77)	(336)
Tax effect of deferred tax asset not recognised	1,556	1,428
Tax effect from reduction in tax rate on deferred tax liabilities (note 19)	575	–
	575	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

8. TAX CREDIT continued

At the end of the reporting period, the Group has unutilised tax losses of £95,865,000 (2016: £87,783,000) available for offset against future profits. The amount of the Company's unutilised tax losses available for offset against future profits is £27,802,000 (2016: £26,658,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Included in the Group and Company losses are £27,802,000 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	2017 £'000	2016 £'000
Depreciation	10	384	61
Amortisation of intangibles	11	1,494	1,550
Auditor's remuneration			
– Audit and audit related fees		102	113
– Non audit fees		75	–
Share-based payments	23	364	113
Bad debt provision	13	1,040	–
Rental expenses		422	494
Net foreign exchange losses/(gains)		27	(467)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land £'000	Leasehold Improvements £'000	Plant, property & equipment £'000	Furniture, fixture & equipment £'000	Computer equipment & software £'000	Construction -in-progress £'000	Project -under construction £'000	Total £'000
Cost								
At 1 January 2016	20	33	-	111	475	1,890	40,954	43,483
Additions	-	-	-	2	-	-	22,846	22,848
Reimbursed by grants	-	-	-	-	-	-	(1,203)	(1,203)
Disposals	-	-	-	-	-	(1,890)	-	(1,890)
Exchange differences	-	-	-	(29)	-	-	-	(29)
At 31 December 2016	20	33	-	84	475	-	62,597	63,209
Additions	-	87	-	25	-	-	5,004	5,116
Reimbursed by grants	-	-	-	-	-	-	(748)	(748)
Disposals	-	(33)	-	-	(93)	-	-	(126)
Transfers	-	-	34,065	-	-	-	(34,065)	-
At 31 December 2017	20	87	34,065	109	382	-	32,788	67,451
Accumulated depreciation								
At 1 January 2016	-	20	-	35	424	1,890	-	2,369
Depreciation for the year	-	13	-	33	15	-	-	61
Disposals	-	-	-	-	-	(1,890)	-	(1,890)
Exchange differences	-	-	-	(25)	-	-	-	(25)
At 31 December 2016	-	33	-	43	439	-	-	515
Depreciation for the year	-	6	329	30	19	-	-	384
Disposals	-	(33)	-	-	(93)	-	-	(126)
At 31 December 2017	-	6	329	73	365	-	-	773
Carrying amounts								
At 1 January 2016	20	13	-	76	51	-	40,954	41,114
At 31 December 2016	20	-	-	41	36	-	62,597	62,694
At 31 December 2017	20	81	33,736	36	17	-	32,788	66,678

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

10. PROPERTY, PLANT AND EQUIPMENT continued

Company	Furniture fixture & equipment £'000	Computer equipment & software £'000	Total £'000
Cost			
At 1 January 2016	30	393	423
Disposals	(30)	–	(30)
At 31 December 2016	–	393	393
Disposals	–	(64)	(64)
At 31 December 2017	–	329	329
Accumulated depreciation			
At 1 January 2016	24	378	402
Depreciation for year	3	5	8
Disposals	(27)	–	(27)
At 31 December 2016	–	383	383
Depreciation for the year	–	5	5
Disposals	–	(64)	(64)
At 31 December 2017	–	324	324
Carrying amounts			
At 1 January 2016	6	15	21
At 31 December 2016	–	10	10
At 31 December 2017	–	5	5

(a) Construction-in-progress

This balance related to the carrying amount of the AR1000 turbine. The asset was disposed of in 2016 with no gain or loss being recorded.

(b) Project-under-construction

Construction costs of the MeyGen project capitalised during the year totalled £5,004,000 (2016: £22,846,000). Included in this amount are capitalised borrowing costs amounting to £1,433,000 (2016: £1,621,000), which corresponds to an average interest cost on borrowings of 6% (2016: 6%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

10. PROPERTY, PLANT AND EQUIPMENT continued

(c) Transfers

During 2017 three of the four turbines related to the MeyGen Phase 1A Project reached the operating phase and have therefore been transferred from project-under construction to plant, property and equipment and depreciation on these assets has commenced in accordance with the accounting policy stated in Note 2.

(d) Security

At 31 December 2017, assets of subsidiaries with carrying amounts of £65,460,000 (2016: £62,685,000) were pledged as security on long term loans (Note 18(e)).

11. INTANGIBLE ASSETS

Group	Global technology licence £'000	Intellectual property £'000	Development costs £'000	Seabed options £'000	Tidal data £'000	Development project-in- progress £'000	Total £'000
Cost							
At 1 January 2016	8,223	3,133	14,229	9,788	1,465	1,710	38,548
Additions	-	-	-	6,580	-	-	6,580
Exchange differences	-	-	153	-	-	234	387
At 31 December 2016	8,223	3,133	14,382	16,368	1,465	1,944	45,515
Additions	-	-	43	-	-	7	50
Reimbursed by grants	-	-	-	-	-	(300)	(300)
Balance sheet reclassification	-	-	-	(283)	-	-	(283)
Exchange differences	-	-	(9)	-	-	-	(9)
At 31 December 2017	8,223	3,133	14,416	16,085	1,465	1,651	44,973
Accumulated amortisation							
At 1 January 2016	2,741	191	4,656	-	-	-	7,588
Amortisation for the year	548	38	964	-	-	-	1,550
Exchange differences	-	-	53	-	-	-	53
At 31 December 2016	3,289	229	5,673	-	-	-	9,191
Amortisation for the year	493	39	962	-	-	-	1,494
Exchange differences	-	-	(3)	-	-	-	(3)
At 31 December 2017	3,782	268	6,632	-	-	-	10,682
Carrying amounts							
At 1 January 2016	5,482	2,942	9,573	9,788	1,465	1,710	30,960
At 31 December 2016	4,934	2,904	8,709	16,368	1,465	1,944	36,324
At 31 December 2017	4,441	2,865	7,784	16,085	1,465	1,651	34,291

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

11. INTANGIBLE ASSETS continued

Company	Intellectual property £'000	Development costs £'000	Total £'000
Cost			
At 1 January 2016, 31 December 2016, and 31 December 2017	573	3,347	3,920
Accumulated amortisation			
At 1 January 2016	191	1,115	1,306
Amortisation for the year	38	224	262
At 31 December 2016	229	1,339	1,568
Amortisation for the year	38	223	261
At 31 December 2017	267	1,562	1,829
Carrying amounts			
At 1 January 2016	382	2,232	2,614
At 31 December 2016	344	2,008	2,352
At 31 December 2017	306	1,785	2,091

(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.

(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.

(c) Development costs

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

(d) Seabed options

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

In 2016, the Group, via its Scottish project development vehicle, TPSL, acquired SPR's portfolio of tidal projects valued at £6.6 million in exchange for a 6% shareholding in TPSL (Note 12(c)).

(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, the first phase of which is expected in 2018.

(f) Development project-in-progress

Development project-in-progress relates to on-going development of the Group's AR1500 turbine. The Group has obtained grant funding from the European Commission under the Commercial Energy Array for Widespread Acceleration of Tidal European Resources grant. The development cost will commence amortisation upon successful commercialisation of the turbine technology, expected in 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. INVESTMENTS

	Company	
	2017 £'000	2016 £'000
Unquoted equity shares, at cost	5,369	13,221

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	
			2017 %	2016 %
Atlantis Turbines Pte. Limited ⁽³⁾	Investment holding	Singapore	100	100
Atlantis Energy Pte Limited ⁽¹⁾	Dormant	Singapore	100	100
Atlantis Licensing Pte Limited ⁽¹⁾	Dormant	Singapore	100	100
ARC Operations (Singapore) Pte Limited ⁽¹⁾⁽⁸⁾	Dormant	Singapore	100	100
Atlantis Projects Pte. Ltd. ⁽³⁾	Investment holding	Singapore	100	100
Atlantis Resources International Pte Limited ⁽¹⁾⁽⁸⁾	Dormant	Singapore	100	100
Atlantis Resources (Gujarat Tidal) Pte Limited ⁽¹⁾	Dormant	Singapore	50	50
ARC Operations Pty Limited ⁽⁴⁾	Provision of operational services to the Group	Australia	100	100
Current Resources (Cayman) Limited ^{(4)(8)(a)}	Provision of operational and administrative services to the Group	Cayman Islands	100	100
Atlantis Resources (Scotland) Limited ⁽⁵⁾	Provision of project management and consulting services	United Kingdom	100	100
Atlantis Ocean Energy plc ⁽⁵⁾⁽⁶⁾	Financial services	United Kingdom	100	N/A
Name of subsidiary held by Current Resources (Cayman) Limited				
Atlantis Operations (UK) Limited ^{(5)(a)}	Provision of operational services to the Group	United Kingdom	-	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 ⁽⁵⁾⁽⁷⁾	Development of tidal power generation project	United Kingdom	100	N/A

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. INVESTMENTS continued

Name of subsidiary	Principal activities	Country of incorporation/ registration and operation	Proportion of ownership interest and voting power held	
			2017 %	2016 %
Name of subsidiary held by Tidal Power Scotland Limited				
MeyGen Holdings Limited ⁽⁵⁾	Investment holding	United Kingdom	83	83
Islay Holdings Limited ⁽⁵⁾	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 Limited ⁽²⁾⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Name of subsidiary held by Islay Holdings Limited				
Islay Tidal Power Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Name of subsidiary held by Atlantis Turbines Pte Limited				
Atlantis Operations (UK) Limited ^{(5)(a)}	Provision of operational services to the Group	United Kingdom	100	–
Marine Current Turbines Limited ⁽⁵⁾	Development of turbines and projects	United Kingdom	100	100
Name of subsidiary held by Marine Current Turbines Limited				
Sea Generation Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Sea Generation (Wales) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Sea Generation (Kyle Rhea) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Sea Generation (Brough Ness) Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100

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

(2) As at 31 December 2017 and 31 December 2016, shares in MeyGen Limited were pledged as security on long term loans (see Note 18).

(3) Audited by KPMG LLP, Singapore.

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

(5) Audited by KPMG LLP, United Kingdom.

(6) Incorporated on 15 June 2017.

(7) Incorporated on 25 October 2017.

(8) As at 31 December 2017 the companies were in the process of being dissolved. As at the date of approval of this report, all three companies have been struck off.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. INVESTMENTS continued

(a) *Transfer of ownership of Atlantis Operations (UK) Limited*

On 14 December 2017, ownership of Atlantis Operations (UK) Limited ("AOU") transferred from Current Resources (Cayman) Limited ("CRC") to Atlantis Turbines Pte Limited ("ATPL"). Both parties to the transaction are wholly owned subsidiaries of Atlantis. No gain or loss was realised in CRC.

CRC was struck off on 30 March 2018. As at 31 December 2017, the investment held by Atlantis was written down to zero.

(b) *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") and AOU resulted in an increase to the deemed investments by the Company in those subsidiaries totalling £321,000 (2016: decrease of £51,000).

(c) *Dilution of interest in subsidiaries*

Tidal Power Scotland Limited ("TPSL")

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

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

The Group retains the remaining 92% shareholding of TPSL.

MeyGen Holdings Limited ("MGHL")

As at 31 December 2017 and 31 December 2016, 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. During 2016, the Group recognised £775,000 in equity, which represented the difference between the consideration received from Scottish Enterprise in that year and the net assets attributable to Scottish Enterprise.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. INVESTMENTS continued

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

	Group	
	2017 £'000	2016 £'000
NCI percentage	23%	23%
Non-current assets	66,384	62,209
Current assets	4,870	12,109
Non-current liabilities	(33,311)	(31,485)
Current liabilities	(2,553)	(8,644)
Net assets	35,390	34,189
Net assets attributable to NCI	8,220	7,941
Cash flows from operating activities	39	5,021
Cash flows used in investing activities	(5,630)	(18,406)
Cash flows from financing activities	748	15,296
Net (decrease)/increase in cash and cash equivalents	(4,843)	1,911
	2017 £'000	2016 £'000
Profit for the year	1,201	2,182
Total comprehensive income	1,201	2,182
Attributable to NCI:		
Profit for the year	279	452
Total comprehensive income	279	452

Following the 2016 dilution of interest in TPSL and MGHL, the effect of changes in the Group's ownership interest in MeyGen Limited is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. INVESTMENTS continued

Investment in joint venture:

The Group has entered into a conditional sale and purchase agreement for the sale of Atlantis's 50% interest in Atlantis Operations (Canada) Limited ("AOC") to its joint venture partner DP Energy. The company will be renamed after the sale is complete.

As at 31 December 2017, completion of the cash transaction was subject to satisfaction of certain conditions, including receipt of required approval from the Nova Scotia Minister of Energy.

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

	2017 £'000	2016 £'000
Loss/total comprehensive income for the year¹	(281)	(535)
Non-current assets	815	1,600
Current assets ²	130	104
Non-current liabilities	(2,298)	(1,808)
Current liabilities	(14)	(10)
Net liabilities	(1,367)	(114)
Group's interest in net assets of investee at the beginning of the year/acquisition date	-	211
Share of total comprehensive income recognised	(140)	(211)
Share of total comprehensive income not recognised as result of nil investment value	140	-
Carrying amount of interest in investee at end of the year	-	-

1 Includes interest expense of £121,000 (2016: £136,000)

2 Includes cash and cash equivalents of £20,000 (2016: £20,000)

13. LOANS RECEIVABLE

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loans to subsidiaries:				
- Interest-bearing ^(a)	-	-	1,030	970
- Non-interest bearing ^(b)	-	-	11,075	11,075
	-	-	12,105	12,045
Loan to joint venture ^(c)	1,208	1,236	1,217	1,236
Less allowance for impairment	(1,040)	-	(1,040)	-
Loans receivable	168	1,236	12,282	13,281

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

(b) In 2014, the Company extended a loan to 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.

(c) The loan to joint venture bears interest at a rate of 6% per annum (2016: 12%) and is unsecured. During 2017 a bad debt provision of £1,040,000 (2016: nil) relating to the loan has been recognised as an expense in the profit and loss as a result of Atlantis's decision to exit AOC (See note 12).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

13. LOANS RECEIVABLE continued

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

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	352	201	-	-
Deposits	1,824	1,503	7	7
Value added tax recoverable	-	1,358	14	15
Other receivables	979	1,512	392	-
Non-trade receivables due from subsidiaries	-	-	19,863	17,538
Less:				
Allowance for impairment	-	-	(496)	(496)
Loans and receivables	3,155	4,574	19,780	17,064
Prepayments	260	294	681	46
	3,415	4,868	20,461	17,110
Non-current	-	-	19,367	17,042
Current	3,415	4,868	1,094	68
	3,415	4,868	20,461	17,110

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

At the end of the reporting period, the Company had a provision for impairment of £496,000 (2016: £496,000) in relation to balances receivable from inactive subsidiaries as recovery of the amounts due is not considered probable. No provision for impairment has been made for the remaining receivable balance as the directors are of the view that these receivables are recoverable.

The Group's and the Company's exposure to credit and currency risks are as set out in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash at bank	3,800	8,546	96	10
Fixed deposits	1,778	1,646	-	-
Cash on hand	1	40	-	-
Cash and cash equivalents in the statements of financial position	5,579	10,232	96	10
Less: Encumbered deposits	(1,778)	(1,646)	-	-
Cash and cash equivalents in the statement of cash flows	3,801	8,586	96	10

The encumbered deposits served as collateral on behalf of MeyGen Limited, in support of the provision of bank guarantees and standby letters of credit as required under the terms of MeyGen's seabed lease and to secure the MeyGen project's electricity transmission capacity (Note 29). The Group's exposure to interest rate risks is described in Note 25.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	1,366	7,353	333	130
Other payables	395	63	69	3
Accruals	771	2,549	659	769
Value added tax payable	76	-	-	-
Non-trade payables due to subsidiaries	-	-	503	1,332
Other financial liabilities	2,608	9,965	1,564	2,234
Advanced receipts	2,604	207	-	-
	5,212	10,172	1,564	2,234

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

Trade and other payables include £443,000 relating to property, plant and equipment (2016: £7,637,000).

In January 2017, the European Commission awarded £17.3 million (€20.3 million) in Horizon 2020 grant funding for the DEMOTIDE project, which will design, build and operate a 6MW turbine array, MeyGen Phase 1B, in the Inner Sound of the Pentland Firth in northern Scotland. The DEMOTIDE project will demonstrate the technical and commercial viability of drilled foundation systems and larger rotor diameter turbines, further de-risking the industry and providing a robust path to significant cost reduction in the European tidal power sector.

Advanced receipts include deferred grant income of £2,590,000 in 2017.

In the prior period, a wholly owned subsidiary of the Company, Atlantis Operations UK Limited ("AOU"), entered into a grant agreement with the European Commission for the award of up to £7,108,000 (€7,294,905) in grant funding towards the design, build, installation and operation of three AR1500 turbines at the MeyGen site. Advanced receipts include drawdowns of £nil (2016: £207,000) of this grant.

The Group's and the Company's exposure to currency and liquidity risks related to trade and other payables are described in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

17. PROVISIONS

	Group			Company
	Provision for decommissioning costs £'000	Other provision £'000	Total £'000	Other provision £'000
At 1 January 2017	2,314	25	2,339	-
Provision made during the year	1,123	361	1,484	291
Provision utilised during the year	(303)	-	(303)	-
At 31 December 2017	3,134	386	3,520	291
Non current	1,314	-	1,314	-
Current	1,820	386	2,206	291
	3,134	386	3,520	291

Provision for decommissioning costs

The provision for decommissioning costs represents the present value of the best estimate of direct costs that may be incurred to remove the turbine foundations from the seabeds including the Group's testing berth at the European Marine Energy Centre (EMEC) in Scotland and making good the site; Sea Generations Limited's project at Strangford Lough, Northern Ireland; and the MeyGen project located in the Inner Sound of the Pentland Firth. The EMEC decommissioning commenced in 2017 and is expected to complete in 2018, work on Strangford Lough is estimated to begin during 2018 and MeyGen is not anticipated until 2043.

Other provisions

The other provision represents short term provisions for spend anticipated to be settled during 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

18. LOANS AND BORROWINGS

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

	Notes	Group		Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current loans and borrowings					
Secured bridging loan from non-controlling interest	(a)	1,123	2,790	-	-
Secured long term loans	(e)	4,401	-	-	-
Financial guarantees		-	-	174	198
		5,524	2,790	174	198
Non-current loans and borrowings					
Loan from a subsidiary	(b)	-	-	361	314
Loans from a related party	(c)	4,311	4,056	-	-
Long term loan	(d)	4,264	3,984	-	-
Secured long term loans	(e)	18,860	21,552	-	-
Long term debentures	(f)	4,950	-	-	-
		32,385	29,592	361	314
Total loans and borrowings		37,909	32,382	535	512

(a) Secured bridging loan from non-controlling interests

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

The loan is denominated in GBP pounds, with a fixed interest rate of 15% per annum, and is secured on the assets of MCT, AOU and ARSL. In August 2017, £1.8 million of this loan was repaid using proceeds from the bond issue (note (f)). A further £0.8 million was repaid on 29 March 2018. The remaining balance was settled in full on 27 April 2018. At the end of the reporting period, the carrying value of the loan approximates its fair value.

(b) Loan from a subsidiary

The loan from a subsidiary is denominated in British pounds, is interest-bearing with an interest rate of 5.0% per annum, unsecured and is repayable in February 2021. The fair value of the loan at the end of the reporting period was approximately £364,000 (2016: £361,000).

(c) Loans from a related party

Loans from Morgan Stanley Capital Group Inc. ("MSCGI") 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 floating interest rates in the range of 5.0% to 6.06% per annum, are unsecured and are repayable in February 2021. At the end of the reporting period, the carrying value of the loans approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

18. LOANS AND BORROWINGS continued

(d) Long term loan

The loan is denominated in British pounds, with a floating rate of interest in the range 5.90% to 5.92% per annum (2016: 5.90% to 5.92%), is unsecured and is repayable in February 2021. At the end of the reporting period, the carrying value of the loan approximates its fair value.

(e) Secured long term loans

Atlantis Resources (Scotland) Limited

In February 2014, ARSL, a wholly owned subsidiary of the Company, entered into a loan agreement of £2 million with Scottish Enterprise (as administrator of the Renewable Energy Investment Fund) as the lender with the Company as a guarantor. The loan of £2 million is being used to support the development of ARSL's engineering hub in Scotland and was used to support the development of the initial phase of the MeyGen project. The loan is due for repayment in 2018, in a single bullet repayment. The interest rate for the loan is 12.0% per annum, with interest capitalising on 30 June and 31 December of each year and repayable upon maturity of the loan.

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

MeyGen Limited

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

The Scottish Enterprise loan and the Crown Estate investment to MeyGen are denominated in British pounds, and are repayable in the period from 2017 to 2027. The effective interest rates on these loans are in the range of 7% to 7.8% per annum. As at 31 December 2017, the total loans drawn down were £17.3 million (2016: £17.3 million).

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

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

The Group's and the Company's exposures to interest rate, foreign currency and liquidity risks are described in Note 25.

(f) 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%, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

18. LOANS AND BORROWINGS continued

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

	Loans and other borrowings £'000
Balance as at 1 January 2017	32,382
Proceeds from borrowings	4,950
Repayment of borrowings	(2,100)
Interest expense	1,329
Interest capitalised	1,433
Interest paid	(166)
Other	81
Balance as at 31 December 2017	37,909

19. DEFERRED TAX LIABILITIES

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

	Group £'000
At 1 January 2016 and 31 December 2016	3,830
Effect of reduction in tax rates	(575)
At 31 December 2017	3,255

The deferred tax liability was recognised due to the fair valuation of the seabed option and tidal data upon acquisition of MeyGen in 2013. The liability has been adjusted to reflect the future reduction in corporate tax rates from 20% to 17% as a result of the Finance Act 2016.

20. 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 2016	105,068	84,918
Public offerings issued for cash	11,888	6,539
Transaction costs incurred in relation to share issuance	-	(237)
At 31 December 2016	116,956	91,220
Public offerings issued for cash	9,000	4,050
Transaction costs incurred in relation to share issuance	-	(240)
At 31 December 2017	125,956	95,030

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

20. SHARE CAPITAL continued

On 24 May 2017, the Company raised £4.1 million, before expenses, through the placing of 9 million new ordinary shares at a placing price of 45 pence per share.

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

During the year, £240,000 (2016: £237,000) of expenses were incurred incidental to the issuance of shares.

21. 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.

22. TRANSLATION RESERVE

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

23. 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 a Long Term Incentive Plan ("LTIP"). During the year 636,000 share options were granted under the LTIP (2016: 1,845,000). In the prior year, 1,063,830 share options with an exercise price of £0.94 were modified and replaced with 1,000,000 share options at an exercise price of £0.50 and vested for three years from 11 December 2015.

The options outstanding at 31 December 2017 have a weighted average contractual life of 1.69 years (2016: 2.49 years).

No options were exercised in 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23. 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 2016	4,149	0.940
Granted during the year	2,845	0.500
Cancelled and modified	(1,064)	0.940
Lapsed	(53)	0.940
Outstanding at 31 December 2016	<u>5,877</u>	<u>0.740</u>
Granted during the year	636	0.500
Cancelled and modified	(525)	0.500
Outstanding at 31 December 2017	<u>5,988</u>	<u>0.780</u>
Exercisable at 31 December 2017	<u>4,148</u>	<u>0.820</u>
Exercisable at 31 December 2016	1,517	0.740

The share options on issue expire between 2019 and 2026.

Company Share Option Plan ("CSOP")

On 10 November 2016, the Company established a Company Share Option Plan ("CSOP") to offer share options to employees. No share options were granted under the CSOP in the year (2016: 485,690).

The options outstanding at 31 December 2017 have a weighted average contractual life of 8.86 years (2016: 9.86 years).

No options were exercised in 2017 and 2016.

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 2016	-	-
Issued during the year	486	0.700
Outstanding at 31 December 2016	<u>486</u>	<u>0.700</u>
Cancelled and modified	(115)	0.700
Outstanding at 31 December 2017	<u>371</u>	<u>0.700</u>

No options were exercisable at 31 December 2017 (2016: none).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23. SHARE OPTIONS continued

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:

	2017	2016
Fair value of options on date of grant	£0.05 ~ £0.07	£0.07 ~ £0.34
Share price	£0.32 ~ £0.38	£0.35 ~ £0.74
Exercise price	£0.50	£0.50 ~ £0.70
Expected volatility	41.65% ~ 42.14%	42.64% ~ 56.94%
Expected life	3 years	3 years
Risk free rate	0.75% ~ 1.56%	0.75% ~ 1.56%
Expected dividend yield	0%	0%

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

The Group and the Company recognised total expenses of £364,000 (2016: £113,000), related to equity-settled share-based payment transactions during the year and this is included as part of employee benefits expense.

24. EARNINGS PER SHARE

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

	(Loss)/ Profit after tax		Weighted average number of shares		(Loss)/Earnings per share	
	2017 £'000	2016 £'000	2017 '000	2016 '000	2017 £	2016 £
Basic and diluted	(10,564)	(7,264)	122,282	112,994	(0.09)	(0.06)

	Group	
	2017 '000	2016 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	116,956	105,068
Effect of public offerings issued for cash	5,326	7,926
Weighted average number of shares at end of the year	122,282	112,994

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25. 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 25(d) below.

All balances are considered to be recoverable and are not past due. The total impairment provision relating to loans and receivables for Group is £1,040,000 (2016: nil) and Company is £1,536,000 (2016: £496,000). See notes 13 and 14 for further detail of loans and receivables balances.

Cash and cash equivalents

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

Guarantees

At 31 December 2017 and 2016, the Company issued guarantees to a lender in respect of credit facilities granted to two subsidiaries (See Note 29).

(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 2016 and 2017 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

continued

Group	Note	Carrying amount £'000	Contractual cash flows			
			Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2017						
Financial liabilities						
Trade and other payables	16	2,608	2,608	2,608	-	-
Secured bridging loan from non-controlling interests	18	1,123	1,135	1,135	-	-
Loans from a related party	18	4,311	5,568	-	5,568	-
Long term loan	18	4,264	5,514	-	5,514	-
Long term debentures	18	4,950	6,730	396	6,334	-
Secured long term loans	18	23,261	34,356	5,057	8,460	20,839
		40,517	55,911	9,196	25,876	20,839
2016						
Financial liabilities						
Trade and other payables	16	9,965	9,965	9,965	-	-
Secured bridging loan from non-controlling interests	18	2,790	3,171	3,171	-	-
Loans from a related party	18	4,056	5,626	-	5,626	-
Long term loan	18	3,984	5,571	-	5,571	-
Secured long term loans ⁽¹⁾	18	21,552	31,237	396	10,346	20,495
		42,347	55,570	13,532	21,543	20,495

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

continued

Company	Note	Carrying amount £'000	Contractual cash flows			
			Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2017						
Financial liabilities						
Trade and other payables	16	1,564	1,564	1,564	-	-
Financial guarantees	18	174	6,500	6,500	-	-
Loan from a subsidiary	18	361	423	-	423	-
		2,099	8,487	8,064	423	-
2016						
Financial liabilities						
Trade and other payables	16	2,234	2,234	2,234	-	-
Financial guarantees	18	198	6,500	6,500	-	-
Loan from a subsidiary	18	314	441	-	441	-
		2,746	9,175	8,734	441	-

(1) 2016 contractual cash flows have been amended to correct a prior period error relating to the accumulated interest calculation. As a result the contractual cash flows for secured long term loans in 2016 have reduced by £7.5 million compared to that previously disclosed.

(c) Market risk

Currency risk

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

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

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Australian dollars	3	-	8	-	1	-	3	-
Euros	15	19	288	39	-	-	1	-
United States dollars	95	4	2	1	-	4	2	-
Canadian dollars	-	-	177	1,236	-	-	177	1,236
Singapore dollars	56	24	35	8	42	24	31	8

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

continued

Foreign currency sensitivity

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

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

	Group				Company			
	Equity		Profit and loss (before tax)		Equity		Profit and loss (before tax)	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Australian dollars	-	-	-	-	-	-	-	-
Euros	-	-	27	2	-	-	-	-
United States dollars	-	-	(9)	-	-	-	-	-
Canadian dollars	18	124	18	-	-	-	(18)	124
Singapore dollars	-	-	(2)	(2)	-	-	1	(2)

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 £13,000 (2016: £22,000).

Equity price risk

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

Capital management policies and objectives

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

The capital structure of the Group and the Company consists of equity attributable to owners of the parent and loans and borrowings amounting to £89,817,000 (2016: £90,965,000) and £38,449,000 (2016: £43,750,000), respectively.

There are no changes in the Group's approach to capital management during the financial year. The Company is not subject to externally imposed capital requirements. Except for one subsidiary 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25. 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.

	Note	2017		2016	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Group					
Financial Assets					
Loans receivable	13	168		1,236	
Trade and other receivables	14	3,155		4,574	
Cash and cash equivalents	15	5,579		10,232	
		8,902		16,042	
Financial liabilities					
Trade and other payables	16	2,608		9,965	
Secured long term loans	18	18,860	17,967	21,552	22,831
Other loans and borrowings	18	19,049		10,830	
		40,517		42,347	
Company					
Financial assets					
Loans receivable	13	12,282		13,281	
Trade and other receivables	14	19,780		17,064	
Cash and cash equivalents	15	96		10	
		32,158		30,355	
Financial liabilities					
Trade and other payables	16	1,564		2,234	
Loan from a subsidiary	18	361	364	314	361
Other loans and borrowings	18	174		198	
		2,099		2,746	

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25. 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, bridging loan from non-controlling interests and trade and other payables) are assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values using the discounted cash flow method, which considers the present value of expected payment, discounted using a risk adjusted discount rate.

26. RELATED COMPANY AND RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest income from a joint venture				
– Atlantis Operations (Canada) Limited	85	127	145	127
Interest income from a subsidiary				
– MeyGen Limited	–	–	56	55
Service fee income from a subsidiary				
– Atlantis Operations (UK) Limited	–	–	145	931
Service fee expense charged by a subsidiary				
– ARC Operations Pty Limited	–	–	5	9
Interest expense arising from related party				
– Morgan Stanley Capital Group Inc.	255	250	–	–
Interest expense arising from a subsidiary				
– Atlantis Resources (Scotland) Limited	–	–	186	14
Service fee expense charged by a related party				
– Geosea NV	–	745	–	745

Compensation of directors and key management personnel:

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

	Group	
	2017 £'000	2016 £'000
Short-term benefits	562	509
Defined contribution benefits	26	69
Share based payments	108	(74)
	696	504

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

27. OPERATING LEASES

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	434	364	9	33
Between two to five years	1,081	1,034	-	-
More than five years	6,268	6,024	-	-
	7,783	7,422	9	33

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

28. COMMITMENTS

At 31 December 2017, the Group had entered into contracts to construct a tidal power plant for £47.4 million (2016: £45.4 million) of which £46.4 million (2016: £41.2 million) had been incurred as at the reporting date. At 31 December 2017, the Group had outstanding commitments under contracts for design and subcontractors works for £0.4 million (2016: £1.5 million).

29. CONTINGENT LIABILITIES

The Company has guaranteed credit facilities of £6.5 million (2016: £6.5 million) granted to subsidiaries.

30. EVENTS AFTER THE REPORTING PERIOD

Acquisition of SIMEC Uskmouth Power Limited

On 15 June 2018 the Company successfully completed the acquisition of SIMEC Uskmouth Power Limited ("SUP"). The acquisition and impact on the Group is discussed more fully in the Chief Executive Officer's Statement.

SUP is the owner of a power plant in South Wales, and it is intended that 220 MW of capacity at the plant will be converted to use an end-of-waste energy pellet as fuel. The converted plant is intended to enter commercial operations in 2020.

The transaction is anticipated to be the first of a number of acquisitions from the GFG Alliance that will transform Atlantis into a diversified renewable energy company of scale owning high quality development and generating assets across the sustainable energy spectrum, supplementing its existing portfolio of assets.

The transaction was classed as a reverse takeover under AIM rules. The Company is currently considering the financial impact of the transaction and it will result in a material change to the Group.

Change of Company name

On 14 June 2018, the Company name was changed from Atlantis Resources Limited to SIMEC Atlantis Energy Limited.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

30. EVENTS AFTER THE REPORTING PERIOD continued

Post year end fundraising

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%, 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.

On 21 May 2018, the Company raised £20 million, before expenses, through the placing of 57.1 million new ordinary shares at a placing price of 35 pence per share.

31. SEGMENT INFORMATION

(a) Operating segments

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

The Board of Directors, who are 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.

Other operations include the provision of corporate services which does not meet any of the quantitative thresholds for determining reportable segments in 2017 and 2016.

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

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

	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Unallocated £'000	Total £'000
2017					
External revenues	301	-	-	-	301
Inter-segment revenue	-	-	-	-	-
Interest revenue	-	16	-	70	86
Interest expense	(378)	(835)	-	(404)	(1,617)
Depreciation and amortisation	(332)	(726)	-	(820)	(1,878)
Reportable segment profit/(loss) before tax	1,201	(9,044)	(501)	(2,795)	(11,139)
Reportable segment assets	74,099	39,587	8,051	(11,606)	110,131
Capital expenditure	5,004	162	-	-	5,166
Reportable segment liabilities	(32,919)	(32,474)	(17,386)	32,883	(49,896)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

31. SEGMENT INFORMATION *continued*

	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Unallocated £'000	Total £'000
2016					
External revenues	–	235	–	–	235
Inter-segment revenue	–	3,091	–	(3,091)	–
Interest revenue	–	15	–	112	127
Interest expense	–	(1,001)	–	(3)	(1,004)
Depreciation and amortisation	–	(732)	–	(879)	(1,611)
Reportable segment profit/(loss) before tax	2,182	(9,173)	(550)	277	(7,264)
Reportable segment assets	76,193	44,321	8,166	(13,326)	115,354
Capital expenditure	22,846	–	6,580	2	29,428
Reportable segment liabilities	(39,940)	(32,536)	(16,909)	40,662	(48,723)

(b) Geographical segments

Total segment revenue for the Group is £301,000 (2016: £235,000). The Group operations are mostly focused in the United Kingdom, where the activities are focused on development of tidal current power projects. Most of the Group's assets are located in the United Kingdom. The capital expenditure during the year is primarily related to the development of the projects and the delivery of an Atlantis tidal turbine to one of the projects.

COMPANY INFORMATION

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George Jay Hambro
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