SIMEC ATLANTIS ENERGY

SIMEC ATLANTIS ENERGY LIMITED

ANNUAL REPORT 2018

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ABOUT US

SIMEC Atlantis Energy Limited, formerly known as Atlantis Resources Limited, and its subsidiaries[1] is a global developer of sustainable energy projects with more than 1,000MW in various stages of development. This includes the world's flagship tidal stream project, MeyGen, and the world's first conversion project from coal to 100 per cent waste derived fuel, Uskmouth power station. The Atlantis vision is to become the leading independent power generator in the UK.

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

Having established itself as a global leader in the tidal power sector, Atlantis is now using its expertise to create a diversified portfolio of sustainable generation projects in partnership with 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. At present the GFG Alliance has global revenues of over US$15 billion and employs more than 14,000 staff 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

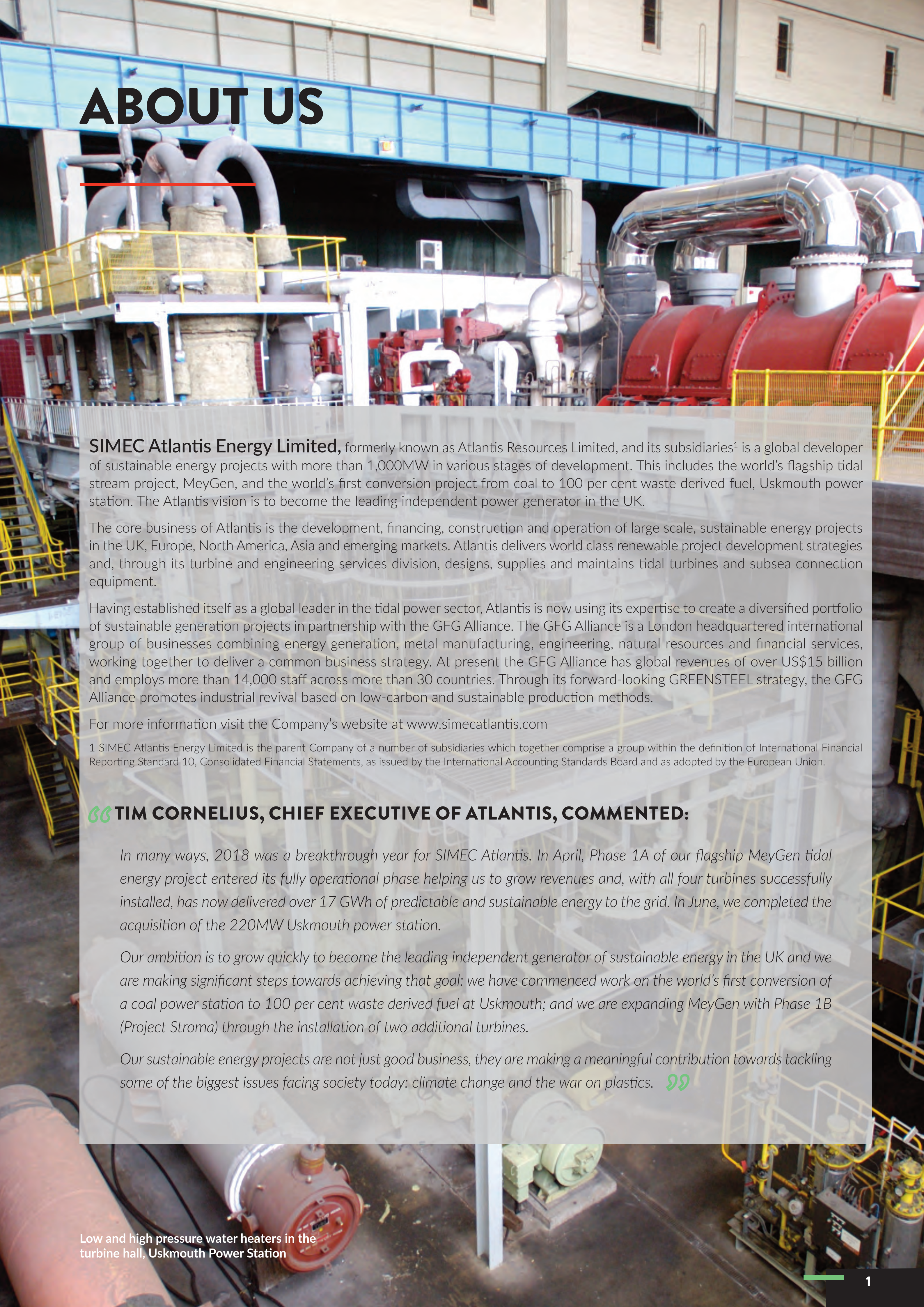
1 SIMEC Atlantis Energy Limited is the parent Company of a number of subsidiaries which together comprise a group within the definition of International Financial Reporting Standard 10, Consolidated Financial Statements, as issued by the International Accounting Standards Board and as adopted by the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

“TIM CORNELIUS, CHIEF EXECUTIVE OF ATLANTIS, COMMENTED:

In many ways, 2018 was a breakthrough year for SIMEC Atlantis. In April, Phase 1A of our flagship MeyGen tidal energy project entered its fully operational phase helping us to grow revenues and, with all four turbines successfully installed, has now delivered over 17 GWh of predictable and sustainable energy to the grid. In June, we completed the acquisition of the 220MW Uskmouth power station.

Our ambition is to grow quickly to become the leading independent generator of sustainable energy in the UK and we are making significant steps towards achieving that goal: we have commenced work on the world's first conversion of a coal power station to 100 per cent waste derived fuel at Uskmouth; and we are expanding MeyGen with Phase 1B (Project Stroma) through the installation of two additional turbines.

Our sustainable energy projects are not just good business, they are making a meaningful contribution towards tackling some of the biggest issues facing society today: climate change and the war on plastics. ”



Low and high pressure water heaters in the turbine hall, Uskmouth Power Station

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- The consolidated Group cash position at 31 December 2018 was £9.3 million (2017: £5.6 million), including £2.4 million held in MeyGen Limited (2017: £3.8 million).
- The MeyGen project generated revenues of £2.1 million.
- Overall Group losses for the year were £24.0 million (2017: £10.6 million). The increase in the year on year loss of £13.4 million reflects the significant changes in the Group in the period. Increased depreciation expense of £5 million and finance costs of £1.5 million are the result of MeyGen becoming operational in April and the acquisition of SUP in June. SUP acquisition costs and financial results also contributed to the increased loss.
- Group total equity at 31 December 2018 of £119.6 million (2017: £60.2 million).
- In May 2018, Atlantis raised £5.0 million, before expenses, through a five year bond with a coupon of 8 per cent, maturing in 2023. In June 2018, Atlantis raised a further £20.0 million before expenses from new and existing shareholders. Funds raised continue to be used for incremental project development activities across the Atlantis portfolio and to secure opportunities for portfolio growth as well as working capital funding for the enlarged Group.
- Atlantis completed the sale of its stake in its Canadian joint venture in December 2018. The cash transaction returned C$0.4 million to the Company.

OPERATIONAL HIGHLIGHTS

- April 2018 saw the flagship MeyGen Phase 1A tidal energy project enter its fully operational phase, with all four turbines successfully installed and delivering power to the grid, resulting in revenue generation. The array has generated over 17 GWh of sustainable energy to date and has exported more electricity to grid than any other tidal project.
- In June 2018, SIMEC Atlantis Energy Limited ("Atlantis" or the "Company") acquired the entire issued share capital of SIMEC Uskmouth Power Limited ("SUP") from SIMEC UK Energy Holdings Limited ("SIMEC"), a member of the GFG Alliance.
  - Consideration for the purchase was the issuance by the Company of new shares to SIMEC, such that immediately following the issuance of such shares, SIMEC became a 49.99 per cent shareholder of the Company and Group.
  - Post-acquisition, Atlantis have commenced the world's first full conversion of a power station from coal to 100 per cent waste derived fuel, which will export 220MW of reliable baseload power to the grid on completion.
  - In November 2018, the Environmental Planning and Permitting ("EPP") contract and the Front-End Engineering and Design ("FEED") contracts were both awarded. The FEED is expected to take approximately 12 months to complete from commencement.
  - Heads of Terms were signed in November 2018 to sell a 25 per cent shareholding in the SUP conversion project for £32.9 million in cash to leading UK infrastructure fund manager Equitix. The transaction is anticipated to complete post FEED.

- The Company agreed terms in November 2018 for its collaboration with Development Agency for Normandy (AD Normandie Développement), the regional agency for economic development in Normandy and regional investment fund Normandie Participations, for the purpose of developing a phased large-scale tidal power project in the Raz Blanchard, Normandy, France, as well as fostering the marine industry and local supply chain in the region more generally.
- Atlantis announced in December 2018, that it had signed a €1 million grant agreement with the European Executive Agency for Small and Medium-sized Enterprises via the European Maritime and Fisheries Fund and its Sustainable Blue Economy call for proposals. The grant will provide Atlantis and its supply chain partner, Asturfeito SAU, €1 million in grant funding to support its tidal turbine development programme.

POST YEAR END HIGHLIGHTS

- Atlantis announced in October 2018, that it had advanced plans to enhance the existing 6MW MeyGen array with the addition of two of the Company's new tidal turbines. When installed, these new Atlantis turbines, which are capable of generating up to 2MW using more powerful generators and larger rotor diameters, will use a new subsea connection hub and share a single export cable. These innovations will significantly reduce project infrastructure costs by removing the requirement for a dedicated export cable for each turbine and should also result in reduced installation costs.
- In January 2019, Ian Wakelin joined the Board as an independent non-Executive Director and Chairman of the Audit Committee. Ian was previously Chief Executive Officer of Biffa plc, one of the UK's largest waste management businesses, and led the IPO of the business in 2016.
- In February 2019 Atlantis announced that it had awarded a contract to subsea engineering specialists ETA for the manufacture and delivery of the world's most advanced subsea tidal turbine connection system which will underpin the MeyGen extension activities known as Project Stroma.
- In March 2019, Atlantis raised over £5 million, before expenses, through an equity fundraising to secure funding for the acquisition of GHR. As a result of the revised transaction the net proceeds will be used for the Company's general corporate purposes.
- In May 2019, Atlantis announced that its turbine and engineering services division will enter into a Technology Partnership and Preferred Supplier Agreement ("TPPSA") with GE Energy Power Conversion UK Ltd ("GE"), a global leader in power conversion, to deliver the world's largest single rotor tidal turbine, the AR2000.

CHAIRMAN'S STATEMENT

Chairman

John Neill

2018 was perhaps the most transformative year for our Group since our 2014 initial public offering, reflected not least in our change of name to SIMEC Atlantis Energy Limited following the reverse takeover of SIMEC Uskmouth Power Limited. This acquisition and the ensuing relationship with the SIMEC Group (part of the GFG Alliance) have added scale and momentum to our transition to a diversified, sustainable energy company. We entered 2019 with the announcement of our intention to acquire the Green Highland Renewables ("GHR") Group of companies from the GFG Alliance. Having assessed the available financing options for the Group to purchase GHR, it was determined that an alternative transaction structure would be in the interests of shareholders and we will provide further information in the near future. We have also continued our quest for geographic diversity, including through the formation of our new joint venture, Normandie Hydrolienne, which will be focused on the development of tidal energy projects to exploit the vast resources of the tides along the northern French coast.

Around the world, scientists are tracking the impacts of climate change, which is in turn forcing governments to act. The UK government has put moving to a cleaner, greener economy at the heart of its Industrial Strategy and is leading the world by introducing a bill in June 2019 to commit the government to a net zero emissions target. This means moving away from using conventional coal and gas-fired power to electricity generated from renewable sources such as tidal power, and achieving the ambitious aim of a carbon neutral economy by 2050. Generation continues from our flagship MeyGen project, which formally completed its construction phase in 2018 and has now produced more than 17 GWh of electricity, representing generation equivalent to the average annual consumption of some 5,500 UK households. This is more than any other tidal stream project in the world and demonstrates the pivotal position we have established in this sector. We are now proceeding with plans for the addition of two new turbines at the site together with a subsea hub, which is designed to permit connection of multiple turbines into a single subsea cable, allowing us to significantly reduce the balance of plant costs in future projects. This phase of the development is known as Project Stroma and, as part of the proposed funding package, we are investigating opportunities for replacement of the existing finance package to reflect the increasing maturity of the project. Project Stroma has already been awarded €16.8 million of revenue support funding from the European Commission's NER300 fund, which uses proceeds from the sale of carbon credits to support renewable energy and carbon capture projects.

South Wales is home to the 220MW Uskmouth power station conversion project, which represents one of the most exciting sustainable energy projects currently under development in the UK. Upon completion of the conversion from a coal fired power station, the plant is intended to deliver up to 220MW of baseload power to the grid by drawing solely on a fuel created from waste destined for landfill. In November 2018, the environmental planning and permitting contract and the Front-End Engineering and Design ("FEED") contract were awarded. In the same month, we were pleased to sign a Heads of Terms with leading UK infrastructure fund manager Equitix for the sale, subject to contract, of a 25 per cent stake in the project following completion of the FEED. This agreement implies a valuation for our 100 per cent stake of over £130 million.

Across the English Channel, northern France presents further opportunity for growth through the remarkable tidal resources of Normandy. Here we have entered into a collaboration with the regional agency for economic development and the regional investment fund, Normandie Participations, to form a joint venture company called Normandie Hydrolienne. This vehicle is dedicated to the development of tidal energy in the fast flowing Raz Blanchard, whose waters, together with those of neighbouring Alderney, could host up to 2GW of tidal turbines. Whilst these projects will take time to come to operational fruition, early planning is essential to enable us to carry forward the momentum gained recently in Scotland across to France.

Finally, on a global scale, we continue to seek out supply opportunities in Asia, Australia and North America for our marine energy technologies and services, including our new AR2000 tidal turbine and our range of engineering and project delivery skills across the sustainable energy spectrum.

CHAIRMAN'S STATEMENT

The overall loss for the year reflects the development investment we continue to make in our flagship tidal energy and waste to energy projects, with consistent revenue generation from power sales expected as they come online over the next 24 months.

I would like to take this opportunity to express my thanks to all our colleagues, shareholders and stakeholders for their continuing commitment and support for the Company, which is highly appreciated and valued.

ANNUAL GENERAL MEETING

Our Annual General Meeting will be held on Friday 26 July 2019. Details of the resolutions to be proposed are set out in a separate Notice of Annual General Meeting, which accompanies this report for shareholders receiving hard copy documents, and which is available at www.simecatlantis.com for those who elected to receive documents electronically.

John Neill
Chairman

27 June 2019

CHIEF EXECUTIVE OFFICER'S STATEMENT

Chief Executive Officer

Timothy Cornelius

In our 2017 Annual Report, I outlined our ambition to build a diversified portfolio of development and operational assets that could allow SIMEC Atlantis to quickly grow into one of the largest generators of sustainable energy in the UK. Since then, we have made a significant step towards that goal with the addition of the world leading Uskmouth waste-to-energy conversion project. Waste-to-energy complements our marine energy division and its operation of the flagship Meygen project, which has recently surpassed a world record 17GWh of predictable electricity generation exported to the grid in Scotland.

We are passionate about what we do at Atlantis. The ocean is the final frontier and offers a virtually limitless source of abundant energy. However, plastic waste threatens fragile marine ecosystems and energy mixes are changing faster than anyone could have previously anticipated, away from hydrocarbons in favour of renewable energy.

When it was designed and built in the 1950s in the Welsh city of Newport, the Uskmouth power station was intended to be run on the area's abundant local coal supply. Now, under an ambitious scheme for conversion, the plant is being repurposed to run on another abundant resource: waste. A successful conversion at Uskmouth could form the blueprint for other power stations destined to be decommissioned, providing instead an extended period of valuable service in compliance with up-to-date emissions regulations and with materially lower levels of CO_2 emissions. This project is expected to help the transition of the local economy and workforce in Newport from a historic reliance on coal to a new, sustainable future, while at the same time providing an economically viable alternative to landfill of waste and addressing the issue of non-recyclable plastics. The converted Uskmouth plant is intended to enter commercial operations in 2021 and will use pellets made from equal proportions of waste biogenic material, such as paper and cardboard, and other forms of waste, such as plastic. These pellets will be supplied by a joint venture set up between the GFG Alliance and N+P Group BV, a Dutch recycling group.

Unlike traditional waste incinerators, the primary purpose of the Uskmouth power station is the generation and sale of electricity, rather than the disposal of waste and the receipt of the associated fees from the producers of that waste. Rather than charging fees for waste disposal, the Uskmouth power station will buy fuel pellets, which are created from waste streams that are carefully processed to ensure strict adherence to an agreed specification and high calorific value relative to raw waste. This is economically viable because of the high fuel quality and high efficiency of power station conversion, coupled with a low fuel price.

The project is governed by Best available techniques Reference documents ("BREFs") developed under the Industrial Emissions Directive and will adhere to all the applicable criteria set out within this legislation. As approximately 50 per cent of the energy pellets will be made up of biogenic derived waste, this component is treated as carbon dioxide neutral because of its net-zero lifecycle emissions. Overall, we consider the conversion to be a sustainable approach, allowing an extension of the useful life of an otherwise redundant power station asset and the recovery of useful and high-quality energy from materials that could otherwise end up either in landfill or being incinerated in less efficient facilities. The conversion is a function of the circular economy, kicking into action to address the twin issues of waste repurposing and the need for dispatchable power, and is a great contribution towards the diversification of the Group's renewable energy portfolio.

These strides towards our goal have been made alongside continued development of our tidal energy business, in particular the record-breaking achievements at MeyGen and the future plans for Project Stroma, which will result in the deployment of two new turbines at the site.

None of this would have been possible without our people. What started over a decade ago as a small team of talented engineers has now grown to nearly 100 innovative, tenacious and dedicated experts with a passion for what we are doing. As we continue to seek new opportunities to be pioneers in the field of sustainable energy, I do not underestimate the importance and value of our people. Their commitment and dedication are unwavering, creating value for the business on a daily basis. They are a source of inspiration for our executive management team. I would also be unable to deliver this positive outlook for the year ahead

CHIEF EXECUTIVE OFFICER'S STATEMENT

without the loyalty, belief and support of our shareholders, investors, government stakeholders and technology and construction partners. Thank you to everyone who has been part of the Atlantis journey so far and welcome to the next exciting chapter!

2018 PERFORMANCE

The Group recorded a loss after tax of £24.0 million for the year ended 31 December 2018, compared with a £10.6 million loss in the prior year. This year on year movement is attributable to the MeyGen Phase 1A project entering its operational phase at the end of Q1 2018, and the acquisition of SUP in June 2018. These reflect the Group's continued investment in the development of energy projects.

Revenue of £2.2 million for the year (2017: £0.3 million), includes an increase of £1.8 million from power sales from the Meygen Phase 1A project.

Other income of £0.9 million (2017: £3.0 million) includes liquidated damages of £0.9 million awarded in 2018 (2017: £1.8 million). The prior year also included £1.1 million of grant income.

Total expenses for the year were £24.3 million (2017: £12.8 million). The increase of £11.5 million relates to power generation operating costs at MeyGen, the current running costs at SUP, depreciation of £5.4 million on these projects assets and one off acquisition costs of £3.6 million for SUP.

The Group's closing net asset balance was £119.6 million (2017: £60.2 million), the increase is mainly in relation to the acquisition of SUP, consolidating £53.4 million of net assets on the date of acquisition.

In May 2018, Atlantis raised £5.0 million, before expenses, through a five year bond with a coupon of 8 per cent, maturing in 2023. In June 2018, Atlantis raised a further £20.0 million before expenses from new and existing shareholders. Funds raised continue to be used for incremental project development activities across the Atlantis portfolio and to secure opportunities for portfolio growth as well as working capital funding for the enlarged Group.

Post year-end, the Company raised £5 million, before expenses, through an equity fundraising to secure funding for the acquisition of GHR. As a result of the revised transaction the net proceeds will be used for the Company's general corporate purposes.

J Cornelius

Timothy James Cornelius
Chief Executive Officer

27 June 2019

BOARD OF DIRECTORS

JOHN MITCHELL NEILL CBE, Non-Executive Chairman

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

TIMOTHY JAMES CORNELIUS, Chief Executive Officer

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

ANDREW LUKE DAGLEY, Chief Financial Officer

Andrew Dagley joined the Company in early 2014 from IFM Investors, a global fund manager with over 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 has over 13 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. Mark's key focus was leading GE's businesses in the energy, aviation, oil and gas and healthcare sectors. Mark joined GE in 2004 as Executive Vice President and General Counsel of GE Insurance Solutions. From 2006 to 2009, he was General Counsel and Head of Regulatory in EMEA. Mark was a partner at CMS Cameron McKenna (now CMS Cameron McKenna Nabarro Olswang LLP) from 1988 to 2004. He qualified as a solicitor in 1983 after gaining a degree in History and Politics from the University of Exeter, and was admitted to the Missouri Bar in 2004. Mark is a Director and Chairman of the Board at GE Pension Trustees Limited and at Alstom Pension Trust Limited. Mark is a nominated Board representative of the Company's major shareholder, SIMEC, and joined the Board on 15 June 2018.

BOARD OF DIRECTORS

GEORGE JAY HAMBRO, Non-Executive Director

Jay Hambro is currently Chief Investment Officer of the GFG Alliance and 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. After graduating in business management, Jay worked in resource finance with NM Rothschild & Sons, HSBC, and latterly with Petropavlovsk plc group. In 2016, he assumed the position at the GFG Alliance. Jay has held a number of other board positions and recently stood down from a non-Executive Directorship of Cellmark AB. 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 RAYMOND WAKELIN, Non-Executive Director

Ian Wakelin joined the Board on 22 January 2019. Ian was previously Chief Executive Officer of Biffa plc, one of the UK's largest waste management businesses, and led the IPO of the business in 2016. He was previously co-founder and Chief Executive Officer of Greenstar UK, a waste management and recycling business which was acquired by Biffa plc in 2010, and brings significant waste management expertise to the Company's Board of Directors. Ian trained as a Chartered Accountant at Arthur Andersen after graduating with a degree in Accounting and Finance.

JOHN ANTHONY CLIFFORD WOODLEY, Non-Executive Director

John Woodley joined the Board on 22 September 2008. He was then co-head of the power and gas-related commodity business for Europe and Asia at Morgan Stanley. He founded the very successful US electricity trading operations for Morgan Stanley in New York in 1994, having worked as a power plant operator and then as an industrial marketing engineer in the utility sector. 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 and an MS in Finance from Georgia State University.

The following individuals were on the Board of the Company during the financial year end 31 December 2018 and resigned from the office on 20 January 2019:

IAN ANTHONY MACDONALD, Former Non-Executive Director

Ian Macdonald was appointed to the Board on 11 December 2013 and resigned on 20 January 2019. Ian retired as President of Hong Leong Finance Limited in December 2016 after almost fifteen 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.

BOARD OF DIRECTORS

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

DUNCAN STUART BLACK, Former Executive Director

Duncan Black joined the Board on 11 December 2013. Duncan was the Group's Chief Financial Officer from 2012 to 2015, and prior to that had held positions as the Chief Executive Officer of an Asian infrastructure fund, Chief Financial Officer of CLP Holdings' Australian electricity and gas utility (now Energy Australia), and business development and finance roles with CLP Holdings Limited 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. He has more than forty years of experience in engineering, manufacturing and supply chain roles in the electrical machinery and power sectors. His senior leadership roles have included Group Manufacturing Director of Rolls Royce plc, President of Rolls Royce Gas Turbines Operations, Technical Director of GEC Large Machines, Managing Director of Alstom Transport and Chairman of Magnomatics.

IAN GEORGE COBBAN, Former Non-Executive Director

Ian Cobban was appointed to the Board on 3 August 2015. He has over thirty years of 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 2018.

CORPORATE GOVERNANCE

The corporate governance statement on pages 14 to 21 forms part of the Directors' report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During 2018, the focus of the Group was as a global developer of renewable and sustainable energy projects. The Group holds equity positions in a diverse portfolio of power projects in various stages of development, which includes the world's flagship tidal stream project, MeyGen, and the Uskmouth power station, which is being converted to use waste derived fuel pellets. Further information on the Group's activities is contained in the Chief Executive Officer's Statement on pages 6 to 7.

On 13 June 2018, shareholders approved a transformational deal to acquire SUP, in consideration for which SIMEC acquired 49.9% of the shares in the Company. The transaction is described in more detail on pages 64 and 65.

A review of the business during the year is contained in the Chairman's Statement and Chief Executive Officer's Statement on pages 6 to 7. These statements provide insight into the Company's business model, its strategy and the challenges faced by the Company. Further details can be found on the Company's website www.simecatlantis.com.

DIRECTORS

The Directors who served in office during the year ended 31 December 2018 were as follows:

John Neill – *Independent Non-Executive Chairman*
Timothy Cornelius – *Chief Executive Officer*
Ian Macdonald – *Independent Non-Executive Director* – resigned with effect from 20 January 2019
John Woodley – *Non-Executive Director*
Andrew Dagley – *Executive Director* and *Chief Financial Officer* – appointed with effect from 15 June 2018
Mark Elborne – *Non-Executive Director* – appointed with effect from 15 June 2018
Jay Hambro – *Non-Executive Director* – appointed with effect from 15 June 2018
Duncan Black – *Non-Executive Director* – resigned with effect from 15 June 2018
Ian Cobban – *Independent Non-Executive Director* – resigned with effect from 15 June 2018
Michael Lloyd – *Independent Non-Executive Director* – resigned with effect from 15 June 2018

Their biographies are shown on pages 7 to 9.

The Board composition changed in January 2019, when Ian Macdonald resigned from the Board and Ian Wakelin joined as an independent non-Executive Director and Chairman of the Audit Committee.

Further detail of the Board changes can be found in the Corporate Governance Report on pages 14 to 21.

DIRECTORS' REMUNERATION

The report on Directors' remuneration is set out on pages 25 to 29.

DIRECTORS' INTERESTS IN SHARES

The interests of Directors in shares of the Company are disclosed in the Remuneration Report on pages 25 to 29.

DIRECTORS' REPORT

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will take place on Friday, 26 July 2019 at 11.00 am at the offices of Ashurst LLP, 1 Duval Square, London Fruit and Wool Exchange, London E1 6PW.

This report was approved by the Board on 27 June 2019 and signed on its behalf.

By order of the Board of Directors

John Neill
Chairman of the Board

27 June 2019

Timothy Cornelius
Chief Executive Officer

December 2018 offshore campaign

CORPORATE GOVERNANCE REPORT

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

The Directors recognise the importance of sound corporate governance and the Board is committed to maintaining high standards of corporate governance in line with an effective and efficient approach to management. The Board has taken into consideration the Corporate Governance Code for Small and Mid-Size Quoted Companies produced by the Quoted Companies Alliance ("QCA Code") and has taken steps to comply with the principles of the QCA Code in so far as they can be applied practically, given the size of the Group, its stage of development, resources, and the nature of its operations.

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

THE BOARD OF DIRECTORS

During 2018, the Board comprised seven Directors. Following Board changes on 15 June 2018, the Board comprised of an independent non-Executive Chairman, one independent non-Executive Director, three non-independent non-Executive Directors and two Executive Directors: the Chief Executive Officer and the Chief Financial Officer.

The following Directors of the Company were in office during the whole of the year ended 31 December 2018:

John Neill – *Independent Non-Executive Chairman*
Timothy Cornelius – *Chief Executive Officer*
Ian Macdonald – *Independent Non-Executive Director*
John Woodley – *Non-Executive Director*

On 15 June 2018, the composition of the Board changed following the acquisition of SUP. The following Directors of the Company were in office from the start of the period to 15 June 2018:

Duncan Black – *Non-Executive Director*
Michael Lloyd – *Independent Non-Executive Director*
Ian Cobban – *Independent Non-Executive Director*

The following Directors of the Company were in office from 15 June 2018:

Andrew Dagley – *Executive Director and Chief Financial Officer*
Mark Elborne – *Non-Executive Director*
Jay Hambro – *Non-Executive Director*

Subsequent to the year end, the composition of the Board has changed when, on 22 January 2019, Ian Macdonald resigned from the Board, whilst Ian Wakelin joined the Board on that date as an independent non-Executive Director and Chairman of the Audit Committee.

As at the date of this report, the reconstituted Board comprises 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 8 to 10.

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 17 to 19.

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. Notwithstanding this designation, the Board has considered his independence and concluded that John discharges his duties in an independent manner.

Notwithstanding that John Neill holds options over the Company's ordinary shares (as detailed on page 24), the Board has considered his independence and has concluded that John has demonstrated the utmost regard for his independence, appropriately challenging the Board during his tenure as Chairman and maintains high standards of corporate governance on the Board. Furthermore, the Board considers that John has not served as a Non-Executive Director for an undue length of time.

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

The Board is aware of the other commitments and interests of its Directors and effective procedures are in place to deal with any conflicts of interest which may arise. Any changes to these commitments and interests are reported to the Board at the earliest opportunity. Atlantis and SIMEC have entered into a relationship agreement to ensure that the Company can continue to operate independently of the SIMEC Group and the GFG Alliance.

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

BOARD DIVERSITY

Whilst our Board is comprised entirely of males, we consider that, as a whole, it is diverse in respect of its range of culture, nationality and international experience. The Nomination Committee is aware that the lack of female representation requires focus and attention. Gender diversity is important to the Board of Directors and the Executive Team and subject to identifying appropriate candidate(s), future vacancies will be filled by individuals with the best possible credentials, without gender bias. Further information about our approach to equality and inclusion can be found in the Our People section on page 20 and on our website www.simecatlantis.com.

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 2018, the number of scheduled Board meetings attended by each Director was as follows:

	Attended
John Neill	5/5
Timothy Cornelius	5/5
Duncan Black*	2/2
Mike Lloyd*	2/2
Ian Cobban*	2/2
John Woodley	5/5
Ian Macdonald	5/5
Andrew Dagley**	3/3
Mark Elborne**	3/3
Jay Hambro**	3/3

* Resigned with effect from 15 June 2018

** Appointed with effect from 15 June 2018

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

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

A third party advises newly appointed Directors of their responsibilities in connection with becoming a director of an AIM company. All Directors, including those newly appointed, receive advice, where applicable, from the Company's nominated adviser and external lawyers. The Board is considering a formal programme for Directors to receive training on relevant new developments on a more regular basis. Further details will be reported in the 2019 Annual Report.

BOARD EVALUATION

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

Given the changes to the Board during the year under review, the Nomination Committee have agreed to delay the Board evaluation process to the second quarter of 2019.

The Board is satisfied that all of the current Directors contribute effectively and have the appropriate balance of skills and experience relevant to the leadership and direction of the Company. The Board is also satisfied that it has suitable levels of experience and independence to allow the Directors to discharge their duties and responsibilities effectively. The Board further concluded that the Chairman remained independent and his performance was satisfactory, with strong leadership capability.

Succession planning will be given consideration by the Nomination Committee.

SENIOR INDEPENDENT DIRECTOR

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

DIRECTORS' ELECTION/RE-ELECTION

Under the Company's Articles of Association, Directors are required to stand for election at the first Annual General Meeting ("AGM") after their appointment. All Directors thereafter are obliged by the Articles of Association to retire on a rotating basis and are subject to re-election at the AGM, which will be applied at the 2019 AGM.

Accordingly, Ian Wakelin will stand for election at the forthcoming AGM. John Neill and John Woodley will 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 continue to make effective and important contributions to the Company's success and that Shareholders should support their election and re-election.

BOARD COMMITTEES

The Board delegates authority to four Committees, including three Committees recommended by the QCA guidelines: the Nomination Committee, the Remuneration Committee and the Audit Committee, as well as an additional Technology Committee.

These Committees operate within a scope and remit defined by specific terms of reference, as determined by the Board. The Committees' full terms of reference are available on the Company's website, www.simecatlantis.com. These terms of reference have been reviewed and updated during 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. Executive Directors are not members of the Board Committees, although they may be invited to attend meetings, with the exception of Timothy Cornelius who was a member of the Nomination Committee in the year under review. Since the year end Ian Wakelin, an independent non-Executive Director, has been appointed to the Nomination Committee and Timothy Cornelius has stood down from the Nomination Committee and Technology Committee.

Directors' attendance at Committee meetings (in their capacity as members of each Committee) held during 2018 is provided in the table below:

Member/Committee:	Audit Committee Attended	Remuneration Committee Attended	Nomination Committee Attended	Technology Committee Attended
John Neill	–	3/3	2/2	–
Timothy Cornelius	–	–	2/2	1/3
Duncan Black*	3/3	–	–	–
Mike Lloyd*	–	1/1	–	1/1
Ian Cobban*	–	–	–	–
John Woodley	4/4	3/3	–	3/3
Ian Macdonald	4/4	–	–	–
Mark Elborne**	1/1	2/2	–	2/2
Jay Hambro**	–	–	2/2	–

* Resigned with effect from 15 June 2018

** Appointed with effect from 15 June 2018

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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Chairman: Ian Wakelin (Prior to 22 January 2019: 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 auditor relating to interim and annual accounts, and the accounting and internal control systems in use throughout the Group.

The current Chairman of the Audit Committee is a chartered accountant and has held senior positions in other listed companies. The Board is satisfied that he has recent and relevant financial experience. Throughout the year under review, the Chairman of the Audit Committee was Ian MacDonald, whom the Board considered to have recent and relevant financial experience.

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

The Audit Committee met four times during the course of 2018 and twice 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 22 to 24.

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 the level and structure of executive management remuneration.

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

The Remuneration Committee met on three occasions during the course of 2018.

The Directors' Remuneration Report from the Remuneration Committee is set out on pages 25 to 29.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

Chairman: John Neill
Members: Ian Wakelin and Jay Hambro (Prior to 15 June 2018: Michael Lloyd and John Woodley; prior to 22 January 2019: Timothy Cornelius)

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

The Nomination Committee met twice during the year. No external consultants were engaged during this period. The Nomination Committee is mindful of the need to maintain an appropriate balance of skills, experience and personalities to shape the direction of the Company going forward. Building a diverse Board that is reflective of our Company as a whole is one of the factors that will be taken into 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 (Prior to 15 June 2018: John Woodley and Ian Cobban; prior to December 2018: Timothy Cornelius)

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

The Technology Committee met three times during the year.

DISCLOSURE AND ETHICS COMMITTEES

In addition to the formal Committees of the Board, the Company has established a Disclosure Committee, which is chaired by Timothy Cornelius and its other members are Andrew Dagley and Jay Hambro.

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

Since the year end, the Company has also established an Ethics Committee, which is chaired by Mark Elborne, other members are the Group Legal Counsel, and Head of Human Resources. This is not a formal Committee of the Board. Its primary responsibility is the ongoing review of the Company's Business Ethics Policy and also to support the business in creating a culture of compliance.

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

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

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

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

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

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

OUR PEOPLE

Here at Atlantis we have built up a team of extremely talented and dedicated engineers, project managers, administration and support staff. Our ability to attract and retain staff depends upon the overall deal offered, which includes a dynamic work environment in which staff are challenged and skills developed, an opportunity to make a meaningful contribution in an industry that is striving to make tomorrow better than today, and a competitive salary and benefits package.

Having a balanced life is important to us and we are always open to a conversation about how to make our roles work for our people in terms of how, when and where they work. We are proud of the exceptionally high levels of flexibility in working hours and location, including remote working and flexible work patterns, that we offer. Working smart is more important to us than working hard for the sake of it. We also offer an enhanced leave policy to support our people through life events, alongside enhanced pension contributions and support to achieve professional qualifications. We understand the importance of diversity and make sure it is embedded in our day-to-day activities and wider business strategy. Our goal is to ensure that these commitments, reinforced by the Company's values of Safety, Environment, Tenacity, Innovation and Respect, are embedded in the day-to-day working practices of all our employees, customers and partners. When it comes to recruitment, we advertise roles on widely available job boards and social media networking platforms and are currently adopting recruitment best practice, such as the introduction of blind CVs. We also word our job descriptions very carefully to avoid indirect discrimination and make sure all who satisfy the key skills and qualifications for the role are included at the application stage. The Company recognises that it has a role to play in improving underrepresented groups' participation in the sustainable energy and engineering sectors and in addition to the recruitment practices outlined above, we participate throughout the year in STEM-related activities for school children and young adults. Atlantis is proud to support local and nationwide STEM activities, with a particular emphasis on female presence in engineering and STEM-related roles.

We want our staff to feel included and heard. We want our staff to have an opportunity to make a valuable contribution to sustainable development. Whilst tackling climate change is everyone's responsibility, at Atlantis, we provide a platform for people to take meaningful and intelligent action.

CORPORATE GOVERNANCE REPORT

STAKEHOLDER AND SOCIAL RESPONSIBILITIES

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

The Company has developed and implemented a Business Ethics Policy which provides a framework and guidance on its approach to achieving and maintaining good business behaviour by means of sound ethical conduct. Oversight of this policy is by the Ethics Committee, see page 19 for further information.

SHAREHOLDER ENGAGEMENT

The Company is committed to ensuring that there is effective and regular communication with shareholders on matters such as governance and strategy so that the Board understands the views of large shareholders on these issues and that shareholders receive a balanced and consistent view of the Company's performance. Communication is primarily through the AGM, which provides an opportunity for shareholders to meet and ask questions of Directors and management. The CEO presents a detailed presentation to shareholders at the AGM on the Group's business, its strategy and any challenges faced. The Company continues its dialogue with investors by periodical public correspondence between the management and the shareholders, via the use of the Company website and social media.

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

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

MAJOR SHAREHOLDER AND SHAREHOLDER ARRANGEMENT

On 21 May 2018, the Company and SIMEC, which holds 49.9% 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

27 June 2019

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 comprises three Non-Executive Directors (the "Members"), appointed by the Board. All Members of the Audit Committee are considered to have relevant experience in the industry in which the Company operates. The Board is also satisfied that at least one Member of the Audit Committee has recent and relevant financial experience. Further details on the Audit Committee's membership and attendance records can be found in the Corporate Governance Report on page 18.

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

ROLE OF THE AUDIT COMMITTEE

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

- monitor the integrity of the Company's financial reporting and significant financial accounting policies and judgements;
- review the content of the Annual Report and audited financial statements where requested by the Board, and advise on whether it is fair, balanced, understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- monitor the effectiveness of the Company's internal controls and risk management framework;
- consider annually whether the Company should initiate an internal audit function and make a recommendation to the Board accordingly;
- consider and make recommendations to the Board, to be put to shareholders for approval at the Company's AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- advise the Board on the appointment, terms of engagement and remuneration of the external auditor and monitor their independence and effectiveness;
- review the effectiveness of the Company's systems for the detection of fraud and the prevention of bribery; and
- review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

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

AUDIT COMMITTEE REPORT

MATTERS CONSIDERED DURING THE YEAR

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

- Group operational risks;
- Internal controls and risk management;
- Group tax considerations;
- Going concern and cash flow projections;
- Financial statements and key assumptions;
- Review of the audit plan and fees;
- Review of external audit services;
- External auditor's report to the Committee;
- The effectiveness of the audit process;
- External auditor appointment;
- 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 considered the accounting considerations relating to the acquisition of SUP. The Company's auditor, KPMG, reviewed the Company's accounting treatment of the SUP acquisition and was satisfied with the Company's assessment, the consideration paid and the assessment and identification of other intangible assets. The Audit Committee maintained oversight of the integration of SUP into the Group.

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

The Audit Committee considers the three most significant judgement areas within the 2018 financial statements to be the carrying value of tangible and intangible assets, the going concern assumptions and the accounting treatment of the SUP acquisition. 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, 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.

AUDIT COMMITTEE REPORT

AUDIT TENDER

During the first half of 2019, the Audit Committee conducted an audit tender process.

As a result of this process, the Audit Committee recommended the appointment of Ernst & Young LLP ("EY") as auditor. This recommendation was approved by the Board and a resolution to this effect will be proposed at the AGM. Subject to shareholder approval, EY will succeed KPMG LLP as the Company's auditor at the end of that meeting.

The Audit Committee would like to thank KPMG for their audit work and assistance to the Company.

INTERNAL AUDIT FUNCTION

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

AUDITOR OBJECTIVITY AND INDEPENDENCE

The Audit Committee monitors and reviews the effectiveness of the external audit process, including a review of the audit plan and the audit results report. The Audit Committee has assessed the performance of the auditor in respect of the 2018 audit. No concerns were raised in respect of the year ended 31 December 2018.

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

Following the consideration of the above matters and its detailed review, the Audit Committee was of the opinion that the Annual Report and Accounts, taken as a whole, 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 Wakelin
Chairman of the Audit Committee

27 June 2019

DIRECTORS' REMUNERATION REPORT

This report includes details of the Directors' remuneration in 2018. 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 18.

REMUNERATION FRAMEWORK

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

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES

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

DIRECTORS' INTERESTS IN SHARES

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

	Shareholdings registered in the name of Directors		Shareholdings in which Director are deemed to have an interest	
Ordinary shares	**At beginning of the year/ commencement of appointment**	**At end of the year/ termination of appointment**	**At beginning of the year**	**At end of the year**
John Neill	377,501	377,501	–	–
Timothy Cornelius	84,041	84,041	992,065[(1)]	992,065[(1)]
Ian Macdonald	125,020	125,020	–	–
Andrew Dagley	–	–	–	–
John Woodley	–	–	–	–
Mark Elborne	–	–	–	–
Jay Hambro	–	–	–	–

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

EXECUTIVE DIRECTORS' SERVICE CONTRACTS AND PAYMENTS FOR LOSS OF OFFICE

The Chief Executive Officer and Chief Financial Officer are employed under a service contract with a fixed period of notice of termination. Their services may be terminated on a maximum of six months' notice by either party.

DIRECTORS' REMUNERATION REPORT

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 during 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 2018 and 31 December 2017. This includes any pension and employer's National Insurance contributions and excludes share-based payments.

	Annual remuneration	
Director	**2018 £'000**	2017 £'000
John Neill	**75**	75
Timothy Cornelius(1)(6)	**434**	321
Duncan Black(2)(3)	**30**	40
Michael Lloyd(3)	**27**	36
Ian Macdonald(2)(4)	**40**	40
John Woodley(2)	**40**	40
Ian Cobban(3)	**27**	36
Andrew Dagley(2)(6)(7)	**164**	–
Mark Elborne(2)(8)	**20**	–
Jay Hambro(5)	**–**	–

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

(2) Ian Macdonald, John Woodley, Duncan Black. Mark Elborne and Andrew Dagley 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.

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

(5) Jay Hambro is not remunerated by the Company for his services. He was appointed to the Board on 15 June 2018.

(6) Includes bonus payments of £100,000 and £50,000 to Timothy Cornelius and Andrew Dagley respectively in relation to the completion of the SUP acquisition. These bonuses were approved by the Remuneration Committee.

(7) Andrew Dagley, who was appointed as Chief Financial Officer on 3 August 2017, was appointed to the Board on 15 June 2018.

(8) Mark Elborne was appointed to the Board on 15 June 2018.

LONG TERM INCENTIVE PLAN ("LTIP")

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

The options granted to Directors are shown below:

Name	Date of grant	Ordinary shares	Nature of award	Exercise price	Vesting period
John Neill	20 February 2014	1,063,830	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
Andrew Dagley	01 June 2016	120,000	Option	£0.50	1/3 on each of first, second and third anniversary of grant
Timothy Cornelius	30 September 2016	1,000,000	Option	£0.50	1/3 on 11 Dec 2016, 1/3 on 11 Dec 2017 and 1/3 on 11 Dec 2018
Andrew Dagley	03 August 2017	336,000	Option	£0.50	1/3 on each of first, second and third anniversary of grant
Timothy Cornelius	15 June 2018	300,000	Option	£0.35	1/3 on each of first, second and third anniversary of grant
Andrew Dagley	15 June 2018	150,000	Option	£0.35	1/3 on each of first, second and third anniversary of grant

Vested awards for Directors issued up to December 2016 are exercisable up until the fifth anniversary date of the grant. Awards issues after this date are exercisable up to the tenth anniversary of the date of the grant.

During 2018, share options previously awarded to Duncan Black and Michael Lloyd, who served as Directors during the year, were cancelled.

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 or distribution of the Company paid, or made by reference to, a record date falling before the exercise date. The option is not assignable or transferable.

COMPANY SHARE OPTION PLAN ("CSOP")

On 10 November 2016, the Company established a Company Share Option Plan 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 are 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 or distribution of the Company paid, or made by reference to, a record date falling before the exercise date. The option is not assignable or transferable.

SHARE OPTIONS

(a) Long Term Incentive Plan

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

Date of grant/ modification	Balance at 01.01.2018	Granted	Exercised	Cancelled/ lapsed	Balance at 31.12.2018	Exercise price per share	Exercisable period
20.02.2014	3,031,916	–	–	(957,447)	2,074,469	£0.940	20.02.2014 to 20.02.2019
01.01.2016	650,000	–	–	(300,000)	350,000	£0.500	01.01.2016 to 01.01.2026
30.09.2016	700,000	–	–	–	700,000	£0.500	30.09.2016 to 30.09.2026
05.12.2016	970,000	–	–	–	970,000	£0.500	05.12.2016 to 05.12.2026
21.12.2017	336,000	–	–	–	336,000	£0.500	21.12.2017 to 03.08.2020
21.12.2017	300,000	–	–	–	300,000	£0.50	21.12.2017 to 29.09.2020
15.06.2018	–	621,428	–	–	621,428	£0.35	15.06.2018 to 15.06.2028
15.06.2018	–	100,130	–	–	100,130	£0.50	15.06.2018 to 15.06.2028
Total	**5,987,916**	**721,558**	**–**	**(1,257,447)**	**5,452,027**		

(b) Company Share Option Plan

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

Date of grant/ modification	Balance at 01.01.2018	Granted	Exercised	Lapsed	Balance at 31.12.2018	Exercise price per share	Exercisable period
10.11.2016	371,410	–	–	(14,285)	357,125	£0.70	11.11.2016 to 11.11.2026
Total	**371,410**	**–**	**–**	**(14,285)**	**357,125**		

(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.

DIRECTORS' REMUNERATION REPORT

SHAREHOLDER VOTE AT THE ANNUAL GENERAL MEETING

The 2018 Directors' Remuneration Report will once again be put to an advisory shareholder vote at the 2019 AGM.

The 2017 Directors' Remuneration Report was approved by shareholders at the Company's AGM held on 20 July 2018.

Approved and signed on behalf of the Board.

Mark Elborne
Chairman of the Remuneration Committee

27 June 2019

DIRECTORS' RESPONSIBILITY STATEMENT

We are pleased to submit this Annual Report to the shareholders of the Company, together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

- the financial statements set out on pages 39 to 84 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 2018 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

Timothy Cornelius
Chief Executive Officer

27 June 2019

Unit 3 turbine, Uskmouth Power Station

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 (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 2018, 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 FS39 to FS84.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act"), Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

The key audit matter

All audits assess and challenge the reasonableness of estimates, in particular as described in intangible assets below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

How the matter was addressed in our audit

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.
- Sensitivity analysis – When addressing intangible assets and going concern and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- Assessing transparency – As well as assessing individual disclosures as part of our procedures on intangible assets and going concern we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Our findings

As reported under intangible assets we found the resulting estimates and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Acquisition of subsidiary
Refer to Note 12 to the financial statements

The key audit matter

On 15 June 2018, the Group acquired the entire share capital of Simec Uskmouth Power Limited ('SUP') by way of issuing shares such that the seller, SIMEC UK Energy Holdings Limited ("SIMEC") became a 49.99% shareholder of the Group. As part of the transaction, a relationship agreement was put in place to govern the interaction between SIMEC and the Group in order to ensure that SIMEC did not gain control of the Group.

Given the level of shareholding of SIMEC post acquisition, the directors applied judgement in considering whether this resulted in that company gaining control of the Group and consequently whether the transaction was a reverse takeover.

The accounting treatment for the acquisition balance sheet is inherently judgemental and requires the directors to exercise judgement, including in respect of the fair value of assets and liabilities acquired.

As these matters involved judgement, there is a risk that the accounting treatment is inappropriate and that the required disclosure in the financial statements is inadequate.

How the matter was addressed in our audit

We assessed the analysis undertaken and supporting papers prepared by management in relation to the consideration of control. We challenged the assumptions made and management's assessment of the provisions of the relationship agreement between SIMEC and Group and whether they prevented SIMEC from gaining control.

We challenged management's assessment of the fair value of the assets and liabilities of SUP, in particular in relation to the Uskmouth Power Station with reference to both recent valuations and the fair value of the consideration paid.

We considered the adequacy of the required disclosures in Note 12 to the financial statements with reference to relevant accounting standards.

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

Our findings

The Group has prepared a detailed control analysis which appropriately includes the relevant considerations from accounting standards. This supports the judgement that SIMEC has not gained control of the Group and as such the acquisition is not a reverse acquisition. The assessment of fair values of the assets and liabilities of SUP at the date of acquisition is adequately supported and appropriate. Overall the results of our work indicate that the accounting for and disclosure of the transaction is appropriate.

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 £24 million in the year to 31 December 2018. As at 31 December 2018, its current assets exceed its current liabilities by £1.5 million and it had loans and borrowings of £41.6 million, of which £2.8 million is due within 12 months of that date.

In order to assess its ability to continue as a going concern, management has prepared cash flow forecasts, including sensitivity analysis for the period up to 31 December 2020. These forecasts which take into account the £5 million of Atlantis consideration shares issued to SIMEC in March 2019 for which payment will be received over the coming months, the availability of a £2 million loan facility from SIMEC, committed income and costs of the Group, demonstrate that it is able to operate within its available cash and funding balances for at least 12 months from the date of the financial statements being signed.

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 this 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 the mitigating actions it could take to reduce costs if necessary based on our knowledge of the Group. Additionally, through discussions with management we assessed their intent to take these mitigating actions should the need arise.

We reviewed the legal agreement related to the payment of £5 million for consideration shares issued to SIMEC and the facility agreement for the £2 million loan made available by SIMEC.

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

Our findings

The Group has prepared cash flow forecasts 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. 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 10 and 11 to the financial statements: Net Book Value £175 million

The key audit matter

Intangible assets and PPE form 92% of the Group's total assets and consist of the costs associated with the Uskmouth Power Station, current project under development (MeyGen) together with acquired turbine technology assets and sea bed options. The assets are categorised into cash generating units ("CGUs"). The Group has calculated the carrying value of the Uskmouth Power Station with reference to the fair value of the consideration paid. In assessing the recoverable amount of the MeyGen project under development and the acquired turbine technology assets and sea bed options 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.

How the matter was addressed in our audit

We compared the Group's process for identifying and reviewing the CGUs subject to impairment testing against the requirements of relevant accounting standards.

We evaluated the basis and methodology adopted to calculate the carrying value of the Uskmouth Power Station and the value in use of the CGUs.

We challenged the assumptions used in the cash flow projections based on our knowledge of the Group and experience of the industry in which it operates.

We performed sensitivity analysis to assess the effect of changes in the key assumptions in the cash flow models on the calculated value in use.

We considered the adequacy of the required disclosures in Notes 10 and 11 to the financial statements with reference to relevant accounting standards.

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. The assessment of the value of the Uskmouth Power Station is considered to be appropriate. 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, SFRS (I) 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

27 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Revenue	4	**2,217**	301
Other gains and losses	5	**949**	2,984
Employee benefits expense	6	**(5,562)**	(4,696)
Subcontractor costs		**(4,396)**	(1,359)
Depreciation and amortisation	10,11	**(7,299)**	(1,878)
Acquisition costs		**(4,173)**	(600)
Research and development		**–**	(81)
Other operating expenses		**(2,902)**	(4,193)
Total expenses		**(24,332)**	(12,807)
Results from operating activities		**(21,166)**	(9,522)
Finance costs	7	**(2,998)**	(1,617)
Loss before tax		**(24,164)**	(11,139)
Tax credit	8	**120**	575
Loss for the year	9	**(24,044)**	(10,564)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**–**	(6)
Total comprehensive income for the year		**(24,044)**	(10,570)
Loss attributable to:			
Owners of the Group		**(22,579)**	(10,843)
Non-controlling interests	12	**(1,465)**	279
Total comprehensive income attributable to:			
Owners of the Group		**(22,579)**	(10,849)
Non-controlling interests	12	**(1,465)**	279
Loss per share			
Basic and diluted loss per share	25	**(0.09)**	(0.09)

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 2018

		Group		Company	
	Notes	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Assets					
Property, plant and equipment	10	**142,247**	66,678	**–**	5
Intangible assets	11	**32,753**	34,291	**1,829**	2,091
Investments	12	**–**	–	**63,278**	5,369
Loans receivable	13	**–**	168	**12,164**	12,282
Trade and other receivables	14	**–**	–	**39,432**	19,367
Non-current assets		**175,000**	101,137	**116,703**	39,114
Trade and other receivables	14	**4,156**	3,415	**700**	1,094
Inventory	15	**986**	–	**–**	–
Cash and cash equivalents	16	**9,267**	5,579	**5,342**	96
Current assets		**14,409**	8,994	**6,042**	1,190
Total assets		**189,409**	110,131	**122,745**	40,304
Liabilities					
Trade and other payables	17	**8,523**	5,212	**2,107**	1,564
Provisions	18	**1,619**	2,206	**41**	291
Loans and borrowings	19	**2,765**	5,524	**130**	174
Current liabilities		**12,907**	12,942	**2,278**	2,029
Provisions	18	**14,282**	1,314	**–**	–
Loans and borrowings	19	**38,855**	32,385	**377**	361
Deferred tax liabilities	20	**3,802**	3,255	**–**	–
Non-current liabilities		**56,939**	36,954	**377**	361
Total liabilities		**69,846**	49,896	**2,655**	2,390
Net assets		**119,563**	60,235	**120,090**	37,914
Equity					
Share capital	21	**178,218**	95,030	**178,218**	95,030
Capital reserve	22	**12,665**	12,665	**–**	–
Translation reserve	23	**7,073**	7,161	**(227)**	(227)
Share option reserve	24	**3,224**	3,477	**3,224**	3,477
Accumulated losses		**(88,479)**	(66,425)	**(61,125)**	(60,366)
Total equity attributable to owners of the Company		**112,701**	51,908	**120,090**	37,914
Non-controlling interests	12	**6,862**	8,327	**–**	–
Total equity		**119,563**	60,235	**120,090**	37,914

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company								
	Notes	Share capital £'000	Capital reserve £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interest £'000	Total £'000
Group										
At 1 January 2017		91,220	12,665	7,167	6	3,191	(55,666)	58,583	8,048	66,631
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	21	3,810	–	–	–	–	–	3,810	–	3,810
Recognition of share-based payments	24	–	–	–	–	364	–	364	–	364
Transfer between reserves		–	–	–	(6)	(78)	84	–	–	–
Total transactions with owners		3,810	–	–	(6)	286	84	4,174	–	4,174
At 31 December 2017		95,030	12,665	7,161	–	3,477	(66,425)	51,908	8,327	60,235
Total comprehensive income for the year										
Loss for the year		–	–	–	–	–	(22,579)	(22,579)	(1,465)	(24,044)
Other comprehensive income		–	–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	(22,579)	(22,579)	(1,465)	(24,044)
Transactions with owners, recognised directly in equity										
Issue of ordinary shares	21	83,188	–	–	–	–	–	83,188	–	83,188
Recognition of share-based payments	24	–	–	–	–	184	–	184	–	184
Transfer between reserves		–	–	(88)	–	(437)	525	–	–	–
Total transactions with owners		83,188	–	(88)	–	(253)	525	83,372	–	83,372
At 31 December 2018		**178,218**	**12,665**	**7,073**	**–**	**3,224**	**(88,479)**	**112,701**	**6,862**	**119,563**

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000
Company							
At 1 January 2017		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	21	3,810	–	–	–	–	3,810
Recognition of share-based payments	24	–	–	–	364	–	364
Transfer between reserves		–	–	(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
Total comprehensive income for the year							
Loss for the year		**–**	**–**	**–**	**–**	**(1,196)**	**(1,196)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(1,196)**	**(1,196)**
Transactions with owners, recognised directly in equity							
Issue of ordinary shares	21	**83,188**	**–**	**–**	**–**	**–**	**83,188**
Recognition of share-based payments	24	**–**	**–**	**–**	**184**	**–**	**184**
Transfer between reserves		**–**	**–**	**–**	**(437)**	**437**	**–**
Total transactions with owners		**83,188**	**–**	**–**	**(253)**	**437**	**83,372**
At 31 December 2018		**178,218**	**(227)**	**–**	**3,224**	**(61,125)**	**120,090**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss for the year		**(24,164)**	(11,139)
Adjustments for:			
Grant income	5	**(2)**	(1,052)
Interest income	5	**(8)**	(86)
Depreciation of property, plant and equipment	10	**5,782**	384
Amortisation of intangible asset	11	**1,517**	1,494
Finance costs	7	**2,998**	1,617
Share-based payments	6	**184**	364
Provisions (written back) / made during the year		**(607)**	610
Bad debt provision	13	**–**	1,040
Net foreign exchange		**96**	27
Operating cash flows before movements in working capital		**(14,204)**	(6,741)
Movements in trade and other receivables		**1,044**	1,734
Movements in trade and other payables		**(778)**	(69)
Net cash used in operating activities		**(13,938)**	(5,076)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(802)**	(10,306)
Proceeds from grants received		**–**	748
Expenditure on project development		**–**	(50)
Cash from disposal of joint venture	12	**168**	–
Acquisition of subsidiary, net of cash acquired[1]	12	**57**	–
Net cash used in investing activities		**(577)**	(9,608)
Cash flows from financing activities			
Proceeds from grants received		**16**	3,537
Proceeds from issue of shares	21	**20,000**	4,050
Share issuance cost	21	**(897)**	(240)
Proceeds from borrowings	19	**4,970**	4,950
Repayment of borrowings	19	**(5,192)**	(2,100)
Interest paid	19	**(696)**	(166)
Deposits released/(pledged)		**864**	(132)
Net cash from financing activities		**19,065**	9,899
Net increase/(decrease) in cash and cash equivalents		**4,550**	(4,785)
Cash and cash equivalents at 1 January		**3,801**	8,586
Cash and cash equivalents at 31 December	16	**8,351**	3,801

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

1 As disclosed in Note 12(d) of the financial statements, the acquisition of SIMEC Uskmouth Power Limited was settled in the issue of ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 June 2019.

1. DOMICILE AND ACTIVITIES

SIMEC Atlantis Energy Limited (the "Company") is a company incorporated in Singapore. The Company's registered office address 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 to develop and operate as a global sustainable energy provider. The Company is an inventor, developer, owner, marketer and licensor of technology, intellectual property, trademarks, products and services and an investment holding company.

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

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in an equity-accounted investee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). SFRS(I)s are issued by the Accounting Standards Council Singapore, which comprise standards and interpretations that are equivalent to IFRS issued by the International Accounting Standards Board.

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

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, other than standards applied for the first time in 2018.

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2018:

- IFRS 15 *Revenue from Contracts with Customers*

  IFRS 15 *Revenue from Contracts with Customers* replaced 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 are enhanced revenue disclosures.

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

  The Group adopted IFRS 15 in its financial statements using the cumulative effect approach which allows the cumulative effect of applying IFRS 15 to be recognised directly in opening equity at the date of initial application of IFRS 15 with no adjustments to the comparative information. Accordingly, the information presented for 2017 has not been restated, it is presented, as previously reported, under IAS 18 Revenue and related interpretations.

- IFRS 9 *Financial Instruments*

  IFRS 9 *Financial Instruments* replaces most of the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. 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.

  The Group has used an exemption allowed in IFRS 9 on not restating comparative information from prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but after those of IAS 39 Financial Instruments: Recognition and Measurement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The classification and measurement requirements of IFRS 9 did not have an impact on the Group's financial assets or liabilities. The Group's assessment of the new expected credit loss model for impairment result was immaterial (see Note 2.4).

The adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Foreign currencies

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

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

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

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

Going concern

The Company funds its short and medium term funding requirements through a combination of equity and debt. It recently completed an equity raise in March 2019 which raised gross funds of £5.0 million. The proceeds of this fundraising were to be used to fund the acquisition of the Green Highland Renewables portfolio of assets if the transaction completed, the subsequent change to this transaction means that these funds will instead be used for general corporate purposes. Simultaneous to the March 2019 equity raise, £5.0 million of Atlantis consideration shares were issued to SIMEC and payment for these shares will be received over the coming months as required but not later than December 2020. SIMEC have also extended a £2.0 million interest free convertible loan to the Company subject to certain progress targets being met in relation to the SUP conversion, repayable in May 2022.

The directors have prepared financial forecasts for a period beyond 30 June 2020, including sensitivity analysis. These forecasts, which 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 at least 12 months from the date of the financial statements. 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 reporting 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

2.3 Business combinations

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

2.4 Financial instruments

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

Financial assets

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

Financial assets comprise 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 any allowance for expected credit losses. Interest is recognised by applying the effective interest method, except for short-term receivables where the recognition of interest would be immaterial.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and does not give rise to any change in the Group's accounting from IAS 39.

Cash and cash equivalents

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

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

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to recognise an allowance for ECLs for financial assets measured at amortised cost.

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

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

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

Additional information about how the Company measures the allowance for impairment is described in Note 26.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

Loans and borrowings (except for financial guarantee contract liabilities) are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for finance costs (see Note 2.15).

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 IFRS 15.

Derecognition of financial liabilities

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

2.5 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

Depreciation is charged to the statement of profit or loss using the straight-line method over the estimated useful life of the asset on the following basis:

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Amortisation

Subsequent to initial recognition, each class of intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the expected estimated useful life of that class of asset. Amortisation will begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

2.8 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.

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 24. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 control of the product are transferred to the customer. Revenue from power generation sales and the associated Renewables Obligation Certificates ("ROCs") are recognised based on the quantity of electricity exported and the contracted rate on the date of generation.

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

2.13 Retirement benefit obligations

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

2.14 Income tax

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

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 principal outstanding and the effective interest rate applicable.

2.16 Segment reporting

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

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 2019, 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 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 by applying a practical expedient and using the modified retrospective approach.

  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.

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.

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

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 related to 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 value-in-use is calculated using a net present value cash flow model which compares the costs of completing the MeyGen project, including financing costs, with expected revenues, net of operating and maintenance expenditure, over its operating life.

The key assumptions used are the expected capital costs to develop the project, the financing structure and cost, forecast operating and maintenance costs, revenue per MWh and the discount rate to calculate present values. The model is based on probability and risk weighted sensitised cash flows using discount rates ranging from 8.5% to 12.5%. Capital and operating and maintenance costs are based upon experience gained from the development and recent fully operational phase of MeyGen 1A. Estimated savings have been factored in to take account of scaling up both the capacity and numbers of the turbines needed for the development of the entire project. These saving are based upon the same principles as those achieved by the more advanced land based and offshore wind industry.

The recoverable amount of the Group's tangible assets was determined to be in excess of the carrying value and accordingly no impairment loss has been recognised. The recoverable amount is most sensitive to changes in capital and operating costs, discount rate and revenue per MWh and adverse movements in excess of 10% in relation to each could result in the carrying value of plant and equipment being impaired.

Useful lives of intangible assets

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

Recoverability of intangible assets

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

The value-in-use is determined by discounting expected future cash flows. The cash flow forecast are based on probability and risk weighted sensitised cash flow forecasts using discount rates ranging from 8.5% to 12.5%.

For each seabed option the net present value cash flow model compares the current carrying value of the intangible, plus the costs of developing the related tidal stream energy projects, including financing costs, to expected revenues, net of operating and maintenance expenditure over their expected operating life. The key assumptions for the value-in-use calculations are the discount rate, the cost of debt, revenue per MWh, forecast operating and maintenance and capital costs. As is the case for property, plant and equipment, capital and operating and maintenance costs are based upon experience gained from the development and recent fully operational phase of MeyGen 1A. Estimated savings have been factored in to take account of scaling up both the capacity and numbers of the turbines needed for the development of the entire MeyGen project.These saving are based upon the same principles as those achieved by the more advanced land based and offshore wind industry.

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

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

The recoverable amount of the Group's intangible assets was determined to be in excess of the carrying value and accordingly no impairment loss has been recognised. The recoverable amount is most sensitive to changes in capital costs, discount rate and revenue per MWh and adverse movements in excess of 10% in relation to each could result in the carrying value of intangible assets being impaired.

Provision for decommissioning costs

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

Cash Generating Units ("CGU")

During the year, the Group acquired a new CGU through the acquisition of SUP. During the prior year, the Group performed a review of its CGUs based upon the Groups 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.

Acquisition accounting

In reviewing whether the transaction is a business combination, management have determined that control of SUP has been taken through the 100% purchase of share capital. Whilst SIMEC have acquired 49.9% of the Company's share capital through the issue of consideration and other shares, management do not believe SIMEC have control over the Group due to contractual arrangements in place to maintain the independence of the Company. On this basis the business combination has been accounted for using the acquisition method.

When the Group completes a business combination, the fair values of the identifiable assets and liabilities acquired, including intangible assets, are recognised at their fair value. The determination of the fair value of acquired assets and liabilities is based, to a considerable extent, on management's judgment.

Managements review of the carrying value of the identifiable assets and liabilities acquired, including separately identifiable intangible assets resulted in a fair value adjustment of £175k and subsequently no goodwill or bargain purchase price (see Note 12).

It is the view of management that the market price consideration for SUP is currently the most appropriate reflection of the fair value of the net assets acquired.

At each reporting date and as the SUP conversion project moves through the FEED process towards financial close, during which it is anticipated that the risk profile of the project will reduce, management will review the valuation of the Power Plant.

4. REVENUE

	Group	
	2018 **£'000**	2017 £'000
Consulting fees	**120**	–
Power sales	**2,097**	301
	2,217	301

Power sales includes associated revenues from ROCs.

5. OTHER GAINS

	Group	
	2018 £'000	2017 £'000
Interest income	**8**	86
Grant income	**2**	1,052
Other income	**939**	1,846
	949	2,984

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

6. EMPLOYEE BENEFITS EXPENSE

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

	Group	
	2018 Number	2017 Number
Average number of employees (including executive directors)	**68**	48

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages, salaries and other short term benefits	**4,454**	3,417
Social security costs	**509**	391
Share-based payments (Note 24)	**184**	364
Contributions to defined contribution plan	**347**	327
Other related costs	**68**	197
	5,562	4,696

7. FINANCE COSTS

	Group	
	2018 £'000	2017 £'000
Interest expense arising from:		
– secured bridging loan from a non-controlling interest	**–**	433
– loans from a related party	**377**	62
– long term loans	**380**	49
– secured long term loans	**1,400**	619
– long term debentures	**696**	166
Unwinding of discount on decommissioning provision	**145**	–
Other finance costs	**–**	288
	2,998	1,617

8. TAX CREDIT

	Group	
	2018 £'000	2017 £'000
Deferred tax credit	**120**	575

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

In the United Kingdom, the applicable rate of tax is computed at 19% (2017: 19.25%). 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% (2017: 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2018 £'000	2017 £'000
Reconciliation of effective tax rate		
Loss before tax	**(24,164)**	(11,139)
Tax at the domestic rates applicable to losses in the country concerned	**(4,591)**	(2,129)
Non-allowable items at rates concerned	**1,263**	650
Non-taxable income at rates concerned	**(45)**	(77)
Tax effect of deferred tax asset not recognised	**3,373**	1,556
Tax effect of unwinding deferred tax fair value adjustment on business combinations (note 20)	**120**	–
Tax effect from reduction in tax rate on deferred tax liabilities (Note 20)	**–**	575
	120	575

At the end of the reporting period, the Group has unutilised tax losses of £150.7 million (2017: £95.9 million) available for offset against future profits, including £37.1 million of tax losses available for utilisation at the acquisition date of SUP (note 12). The amount of the Company's unutilised tax losses available for offset against future profits is £28.0 million (2017: £27.1 million). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Included in the Group and Company losses are £28.0 million (2017: £27.1 million) of losses relating to Singapore corporation tax, which will only be utilised against taxable income realised in Singapore.

9. LOSS FOR THE YEAR

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

		Group	
	Note	**2018 £'000**	2017 £'000
Depreciation	10	**5,782**	384
Amortisation of intangibles	11	**1,517**	1,494
Auditor's remuneration			
– Audit and audit related fees		**125**	102
– Non audit fees		**312**	75
Share-based payments	24	**184**	364
Bad debt provision	13	**–**	1,040
Rental expenses		**686**	422
Net foreign exchange losses		**95**	27

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land £'000	Leasehold improvements £'000	Plant, property & equipment £'000	Furniture, fixture & equipment £'000	Motor vehicles £'000	Computer equipment and software £'000	Project-under-construction £'000	Power plant £'000	Total £'000
Cost									
At 1 January 2017	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
Acquisition through business combinations (Note 12)	–	–	–	–	12	–	–	80,279	80,291
Additions	–	–	–	–	–	12	236	828	1,076
Reimbursed by grants	–	–	(16)	–	–	–	–	–	(16)
Disposals	–	–	–	–	–	(329)	–	–	(329)
Transfers	–	–	33,024	–	–	–	(33,024)	–	–
At 31 December 2018	**20**	**87**	**67,073**	**109**	**12**	**65**	**–**	**81,107**	**148,473**
Accumulated depreciation									
At 1 January 2017	–	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
Depreciation for the year	–	9	2,533	24	5	13	–	3,198	5,782
Disposals	–	–	–	–	–	(329)	–	–	(329)
At 31 December 2018	**–**	**15**	**2,862**	**97**	**5**	**49**	**–**	**3,198**	**6,226**
Carrying amounts									
At 1 January 2017	20	–	–	41	–	36	62,597	–	62,694
At 31 December 2017	20	81	33,736	36	–	17	32,788	–	66,678
At 31 December 2018	**20**	**72**	**64,211**	**12**	**7**	**16**	**–**	**77,909**	**142,247**

10. PROPERTY, PLANT AND EQUIPMENT continued

Company	Computer equipment and software £'000
Cost	
At 1 January 2017	393
Disposals	(64)
At 31 December 2017	329
Disposals	(329)
At 31 December 2018	**–**
Accumulated depreciation	
At 1 January 2017	383
Depreciation for year	5
Disposals	(64)
At 31 December 2017	324
Depreciation for the year	5
Disposals	(329)
At 31 December 2018	**–**
Carrying amounts	
At 1 January 2017	10
At 31 December 2017	5
At 31 December 2018	**–**

(a) Project-under-construction

Construction costs of the MeyGen project capitalised during the year totalled £0.2 million (2017: £5.0 million). Included in this amount are capitalised borrowing costs amounting to £0.2 million (2017: £1.4 million), which corresponds to an average interest cost on borrowings of 6% (2017: 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.

(b) Transfers

During 2018, the fourth turbine relating to the MeyGen Phase 1A Project reached the operational phase and was therefore transferred to plant, property and equipment from project-under construction (2017: three of the four turbines reached operating phase). Depreciation on these assets commenced in accordance with the accounting policy stated in Note 2.

(c) Security

At 31 December 2018, assets of subsidiaries with carrying amounts of £64.2 million (2017: £65.5 million) were pledged as security on long term loans (Note 19(e)).

(d) Power plant

During 2018, the Group acquired the power plant category of fixed assets through acquisition of a subsidiary (Note 12).

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 2017	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
Transfers	–	–	1,651	–	–	(1,651)	–
Exchange differences	–	–	(42)	–	–	–	(42)
At 31 December 2018	**8,223**	**3,133**	**16,025**	**16,085**	**1,465**	**–**	**44,931**
Accumulated amortisation							
At 1 January 2017	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
Amortisation for the year	493	38	986	–	–	–	1,517
Exchange differences	–	–	(21)	–	–	–	(21)
At 31 December 2018	**4,275**	**306**	**7,597**	**–**	**–**	**–**	**12,178**
Carrying amounts							
At 1 January 2017	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
At 31 December 2018	**3,948**	**2,827**	**8,428**	**16,085**	**1,465**	**–**	**32,753**

11. INTANGIBLE ASSETS continued

Company	Intellectual property £'000	Development costs £'000	Total £'000
Cost			
At 1 January 2017, 31 December 2017 and 31 December 2018	**573**	**3,347**	**3,920**
Accumulated amortisation			
At 1 January 2017	229	1,339	1,568
Amortisation for the year	38	223	261
At 31 December 2017	267	1,562	1,829
Amortisation for the year	39	223	262
At 31 December 2018	**306**	**1,785**	**2,091**
Carrying amounts			
At 1 January 2017	344	2,008	2,352
At 31 December 2017	306	1,785	2,091
At 31 December 2018	**267**	**1,562**	**1,829**

(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 project-in-progress

Development costs include expenditure on planning or designing activities for the production of new or substantially improved tidal turbine products and processes. Upon commercialisation of the Group's AR1500 turbine, the technology was transferred from Development project-in-process to Development costs and commenced amortisation.

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.

(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.

12. INVESTMENTS

Investments in Subsidiaries	Company 2018 £'000
Unquoted equity shares, at cost	
1 January	**5,369**
Movement	**57,909**
31 December	**63,278**

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 2018 %	2017 %
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][6]	Dormant	Singapore	**–**	100
Atlantis Projects Pte. Ltd.[3]	Investment holding	Singapore	**100**	100
Atlantis Resources International Pte Limited[1][6]	Dormant	Singapore	**–**	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][a]	Provision of operational and administrative services to the Group	Cayman Islands	**–**	100
Atlantis Resources (Scotland) Limited[5]	Provision of project management and consulting services	United Kingdom	**100**	100
Atlantis Ocean Energy plc[5]	Financial services	United Kingdom	**100**	100
Atlantis Future Energy plc[5][7]	Financial services	United Kingdom	**100**	N/A
SIMEC Uskmouth Power Limited[d][5]	Development of renewable energy generation project	United Kingdom	**100**	N/A

Name of subsidiary held by Atlantis Projects Pte. Limited

Name of subsidiary	Principal activities	Country of incorporation/ registration and operation	2018 %	2017 %
Tidal Power Scotland Limited[5]	Investment holding	United Kingdom	**92**	92
Stroma Tidal Power Limited[5]	Development of tidal power generation project	United Kingdom	**100**	100
Wide Range Developments Limited[1]	Dormant	United Kingdom	**100**	100

12. INVESTMENTS continued

Name of subsidiary	Principal activities	Country of incorporation/ registration and operation	Proportion of ownership interest and voting power held 2018 %	2017 %
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 PLC[2][5][8]	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**	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 2018 and 31 December 2017, shares in MeyGen Limited were pledged as security on long term loans (see Note 19).
(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) Companies struck off on 7 May 2018.
(7) Incorporated on 26 January 2018.
(8) On 14 June 2019, the company re-registered from a private company to a public company.

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 the Company. 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 the Company 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 £155,000 (2017: £321,000).

(c) Dilution of interest in subsidiaries

Tidal Power Scotland Limited ("TPSL")

As at 31 December 2017 and 31 December 2018, Scottish Power Renewables ("SPR") has an equity investment of 6% of the shareholding in TPSL. In 2016, in exchange for 6% of TPSL shareholding, the Group received the SPR portfolio of tidal projects valued at £6.6 million. 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.

In August 2016, DEME Concessions NV, a member of the DEME Group, ("DEME") acquired an equity investment of 2% in TPSL, for £2 million cash. 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 2018, 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.

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	
	2018 £'000	2017 £'000
NCI percentage	**23%**	23%
Non-current assets	**64,072**	66,384
Current assets	**3,460**	4,870
Non-current liabilities	**(34,832)**	(33,311)
Current liabilities	**(3,627)**	(2,553)
Net assets	**29,073**	35,390
Net assets attributable to NCI	**6,753**	8,220
Cash flows from operating activities	**(800)**	39
Cash flows used in investing activities	**(425)**	(5,630)
Cash flows from financing activities	**(228)**	748
Net decrease in cash and cash equivalents	**(1,453)**	(4,843)

	2018 £'000	2017 £'000
(Loss)/profit for the year	**(6,317)**	1,201
Total comprehensive income	**(6,317)**	1,201
Attributable to NCI:		
(Loss)/profit for the year	**(1,465)**	279
Total comprehensive income	**(1,465)**	279

(d) Acquisition of SIMEC Uskmouth Power Limited ("SUP")

On 15 June 2018, pursuant to a sale and purchase agreement dated 14 December 2017, the Company successfully completed the acquisition of the whole of the issued share capital of SUP, a company incorporated in the United Kingdom, from SIMEC UK Energy Holdings Limited ("SIMEC"), a member of the GFG Alliance. The acquisition was undertaken to create a diversified renewable energy platform and it is proposed that the 220MW of capacity at the SUP power station in Wales will be converted to use a waste derived energy pellet as fuel.

Consideration for the purchase was the issuance by the Company of new shares to SIMEC such that, immediately following the issuance of such shares, SIMEC became a 49.99% shareholder of the Company and Group. On the basis of the Company's share placing price of 0.35 pence per share, which completed concurrently with the share issue, the fair value of the 152.6 million consideration shares issued was £53.4 million. Additionally, by way of automatic conversion pursuant to the terms of the Sale and Purchase Agreement and the SIMEC Loan Agreement, 30.4 million loan completion shares were issued, giving a total of 183 million new ordinary shares. As a result of the £10.6 million loan completion shares issued to SIMEC, the loan balance due from SUP to SIMEC was reassigned to Atlantis.

12. INVESTMENTS continued

The acquisition-related costs amounting to £4.2 million, excluded from the consideration transferred, were included in the cost of investment. £3.6 million of expenses were recognised in the consolidation statement of comprehensive income in 2018. The balance of £0.6 million was incurred during 2017. The acquisition related costs were expensed in the Group consolidated results whilst at Company level they were capitalised in the cost of the investment.

The acquired business contributed losses and revenue amounting to £5.5 million and £nil respectively to the Group's results for the period from 15 June 2018 to 31 December 2018.

Had SUP been consolidated from 1 January 2018 the Group's consolidated loss before tax and consolidated revenue for the year to 31 December 2018 would have been £27.7 million and £2.4 million respectively.

A purchase price allocation was conducted to determine the valuation of the acquisition resulting in a fair value adjustment to plant, property and equipment. The fair value of fixed assets was derived by using the Company valuation, based on the market based transaction, and deducting the fair value of other assets and liabilities. The book value of SUP differs from that provisionally disclosed in the Company's 30 June 2018 Interim results due to unrecorded liabilities of £0.2 million, as a result of the final working capital adjustments. No goodwill or bargain purchase price arose on the business combination.

The following summarises the identifiable assets acquired and liabilities assumed at the acquisition date at their provisional fair value:

	Book value before business combination £'000	Fair value adjustment £'000	Fair value £'000
Non-current assets			
Property, plant and equipment	80,116	175	80,291
Current assets			
Inventory	986	–	986
Trade and other receivables	1,784	–	1,784
Cash and cash equivalents	57	–	57
Current liabilities			
Trade and other payables	(4,166)	–	(4,166)
Non-current liabilities			
Loans and borrowings	(12,687)	–	(12,687)
Provisions	(12,840)	–	(12,840)
Total net assets	53,250	175	53,425
Purchase consideration shares issued			53,425
Cash held in subsidiary			57
Cash inflow on acquisition			**57**

Investment in joint venture:

On 19 December 2018, the Company completed the sale of its 50% interest in Atlantis Operations (Canada) Limited ("AOC") to its joint venture partner DP Energy.

Following completion, AOC will be renamed Rio Fundo Operations Canada Ltd.

The transaction returned C$400,000 (£168,000) to the Group.

13. LOANS RECEIVABLE

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Loans to subsidiaries:				
– Interest-bearing[(a)]	**–**	–	**1,089**	1,030
– Non-interest bearing[(b)]	**–**	–	**11,075**	11,075
	–	–	**12,164**	12,105
Loan to joint venture[(c)]	**–**	1,208	**–**	1,217
Less expected credit loss	**–**	(1,040)	**–**	(1,040)
Loans receivable	**–**	168	**12,164**	12,282

(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) During 2017, a bad debt provision of £1.04 million relating to the loan to joint venture was recognised as an expense in the profit and loss as a result of the decision to exit AOC. The outstanding balance was received on disposal completion (see Note 12).

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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade receivables	**308**	352	**161**	–
Deposits	**1,453**	1,824	**–**	7
Accrued revenue	**399**	–	**–**	–
Value added tax recoverable	**493**	–	**97**	14
Other receivables	**1,057**	979	**–**	392
Non-trade receivables due from subsidiaries	**–**	–	**39,928**	19,863
Less:				
Expected credit loss	**–**	–	**(496)**	(496)
Financial assets at amortised cost under IFRS 9	**3,710**	3,155	**39,690**	19,780
Prepayments	**446**	260	**442**	681
	4,156	3,415	**40,132**	20,461
Non-current	**–**	–	**39,432**	19,367
Current	**4,156**	3,415	**700**	1,094
	4,156	3,415	**40,132**	20,461

14. TRADE AND OTHER RECEIVABLES continued

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

At the end of the reporting period, the Company had a provision for expected loss allowance of £496,000 (2017: £496,000) in relation to balances receivable from inactive subsidiaries as recovery of the amounts due is not considered probable. No other expected credit loss has been recognised.

The Group's and the Company's exposure to credit and currency risks are as set out in Note 26.

15. INVENTORY

	Group	Group
	2018	2017
	£'000	£'000
Inventory acquired on acquisition of a subsidiary (Note 12)	**986**	–

Inventory acquired as a result of the acquisition of SUP relates to £120k coal stock, and £866k spare parts and consumables.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Cash at bank	**8,349**	3,800	**5,342**	96
Fixed deposits	**916**	1,778	**–**	–
Cash on hand	**2**	1	**–**	–
Cash and cash equivalents in the statements of financial position	**9,267**	5,579	**5,342**	96
Less: Encumbered deposits	**(916)**	(1,778)	**–**	–
Cash and cash equivalents in the statement of cash flows	**8,351**	3,801	**5,342**	96

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 30). The Group's exposure to interest rate risks is described in Note 26.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade payables	**2,626**	1,366	**1,065**	333
Other payables	**434**	395	**5**	69
Accruals	**375**	771	**133**	659
Value added tax payable	**–**	76	**–**	–
Non-trade payables due to subsidiaries	**–**	–	**904**	503
Non-trade payables due to a related party	**994**	–	**–**	–
Other financial liabilities	**4,429**	2,608	**2,107**	1,564
Advanced receipts	**4,094**	2,604	**–**	–
	8,523	5,212	**2,107**	1,564

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

Trade and other payables include £479,000 relating to property, plant and equipment (2017: £443,000).

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, Project Stroma, 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 £2.6 million (2017: £2.6 million) and the lease premium of £1.5 million (2017: nil) received as part of the acquisition of SUP (Note 28).

The Group's and the Company's exposure to currency and liquidity risks related to trade and other payables are described in Note 26.

18. PROVISIONS

	Group			Company
	Provision for decommissioning costs £'000	**Other provision £'000**	**Total £'000**	**Other provision £'000**
At 1 January 2018	3,134	386	3,520	291
Provisions acquired on acquisition of a subsidiary (note 12)	12,820	20	12,840	–
Provision made during the year	264	–	264	–
Provision utilised during the year	(601)	(270)	(871)	(250)
Unwinding of discount on decommissioning provision	148	–	148	–
At 31 December 2018	**15,765**	**136**	**15,901**	**41**
Non current	14,282	–	14,282	–
Current	1,483	136	1,619	41
	15,765	**136**	**15,901**	**41**

18. PROVISIONS continued

Provision for decommissioning costs

The provision for decommissioning costs includes the present value of the best estimate of direct costs that may be incurred to remove the turbine foundations from the seabeds including: Sea Generations Limited's project at Strangford Lough, Northern Ireland; and the MeyGen project located in the Inner Sound of the Pentland Firth. Strangford Lough decommissioning commenced in 2018 and is expected to complete in 2019, and MeyGen is not anticipated until 2043. The Groups testing berth at the European Marine Energy Centre ("EMEC") in Scotland completed decommissioning in 2018.

The provision acquired is the present value of the best estimate of direct costs that may be incurred to restore the site of the SUP power station to a condition that complies with applicable legislation, which is anticipated to take place in approximately 2040. The provision is based upon an estimate of the timing and current cost of this exercise, adjusted for the effects of inflation and discounted to present value using an appropriate discount rate. A 5% increase in the estimate of current cost would increase the recorded provision by approximately £0.6 million in each financial year, a 0.1% increase in estimated inflation would increase the recorded provision by approximately £0.3 million in each financial year and a 0.1% increase in discount rate would increase the recorded provision by approximately £0.3 million in each financial year.

Other provisions

The other provision represents short term provisions for spend anticipated to be settled during 2019.

19. LOANS AND BORROWINGS

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

		Group		Company	
	Notes	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Current loans and borrowings					
Secured bridging loan from non-controlling interest	(a)	**–**	1,123	**–**	–
Secured long term loans	(e)	**738**	4,401	**–**	–
Loans from a related party	(c)	**2,027**	–	**–**	–
Financial guarantees		**–**	–	**130**	174
		2,765	5,524	**130**	174
Non-current loans and borrowings					
Loan from a subsidiary	(b)	**–**	–	**377**	361
Loans from a related party	(c)	**4,714**	4,311	**–**	–
Long term loan	(d)	**4,665**	4,264	**–**	–
Secured long term loans	(e)	**20,000**	18,860	**–**	–
Long term debentures	(f)	**9,476**	4,950	**–**	–
		38,855	32,385	**377**	361
Total loans and borrowings		**41,620**	37,909	**507**	535

(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 Limited ("MCT"), with the Company as a guarantor.

The loan was denominated in British pounds, with a fixed interest rate of 15% per annum, and was fully settled on 27 April 2018 using proceeds from the bond issue (Note f).

19. LOANS AND BORROWINGS continued

(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 £382,000 (2017: £364,000).

(c) Loans from a related party

Loans from Morgan Stanley Capital Group Inc. ("MSCGI") totalling £4,714,000 (2017: £4,311,000) 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.

The loan from SIMEC Group Limited ("SIMEC") of £2,027,000 (2017: nil) is treated a related party loan, given that SIMEC is a shareholder of the company. The loan was acquired on the acquisition of SUP (see Note 12). The loan is denominated in British pounds, interest free and repayable on 31 December 2019. In the earlier event of a share fundraise the loan is automatically converted into shares in the Company pursuant to compliance with the contractual relationship agreement requiring SIMEC Group to hold 49.9% or less of share capital in issue.

(d) Long term loan

The loan is denominated in British pounds, with a floating rate of interest in the range 5.72% to 5.92% per annum (2017: 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 ("ARSL")

In February 2014, ARSL, a wholly owned subsidiary of the Company, entered into a loan agreement for £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 was used to support the development of ARSL's engineering hub in Scotland and the development of the initial phase of the MeyGen project. The interest rate for the loan was 12.0% per annum, with interest capitalising on 30 June and 31 December of each year and repayable upon maturity of the loan. The loan and interest were fully settled on 3 July 2018.

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 had a three-year term with interest rate of 4.5% per annum capitalising and not payable until maturity of the loan. These loans were secured on the assets of MCT, AOU and ARSL. The loan and interest were fully settled on 3 July 2018.

MeyGen Limited ("MeyGen")

In August 2014, as part of the Phase 1A MeyGen project financing, Scottish Enterprise (as administrator of the Renewable Energy Investment Fund) extended a loan of £7.5 million to MeyGen to finance the construction of the project. The Crown Estate Commissioners committed an investment of £9.8 million to MeyGen, also to finance the construction of the Phase 1A project, which will be serviced through the payment of "enhanced rent", with an exit payment at or before the date 10 years from commissioning of Phase 1A of the project. During 2018 enhanced rent payments of £151,000 (2017: nil) were paid.

The Scottish Enterprise loan and the Crown Estate investment to MeyGen are denominated in British pounds, and are repayable in the period from 2018 to 2027. The effective interest rates on these loans are in the range of 7% to 7.8% per annum. As at 31 December 2018, the total loans drawn down were £17.3 million (2017: £17.3 million). During 2018 £89,000 (2017: nil) was repaid.

19. LOANS AND BORROWINGS continued

The Group's secured long term loans are secured by way of fixed and floating charges over the assets of subsidiaries 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 26.

(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.

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 2023. This bond was offered through Abundance Investment Limited.

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

	Loans and other borrowings	
	2018 £'000	2017 £'000
Balance as at 1 January	**37,909**	32,382
Proceeds from borrowings	**4,970**	4,950
Acquired on acquisition of a subsidiary (Note 12)	**2,027**	–
Repayment of borrowings	**(5,192)**	(2,100)
Interest expense	**2,657**	1,329
Interest capitalised	**152**	1,433
Interest paid	**(696)**	(166)
Other	**(207)**	81
Balance as at 31 December	**41,620**	37,909

20. DEFERRED TAX LIABILITIES

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

	Group £'000
1 January 2017	3,830
Effect of reduction in tax rates	(575)
At 31 December 2017	3,255
Unwind historic fair value adjustment	(120)
As a result of business combinations (Note 12)	667
At 31 December 2018	**3,802**

20. DEFERRED TAX LIABILITIES continued

The deferred tax liability was recognised due to the fair valuation of the seabed option and tidal data upon acquisition of MeyGen in 2013 and began unwinding in 2018 when MeyGen Phase 1A entered its operating phase. During 2018, £667,000 was recognised as a result of the acquisition of SUP relating to deferred tax on the revaluation of fixed assets. In 2017, the liability was adjusted to reflect the future reduction in corporate tax rates from 20% to 17% as a result of the Finance Act 2016.

21. 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 2017	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
Public offerings issued for cash	57,143	20,000
Issued in business combinations (Note 12)	183,099	64,085
Transaction costs incurred in relation to share issuance	–	(897)
At 31 December 2018	**366,198**	**178,218**

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.

On 15 June 2018, the Company issued 183 million new ordinary shares at a placing price of 35 pence per share, of which 152.6 million were consideration shares and 30.4 million were loan completion shares, both of which relate to the acquisition of SUP.

During the year, £897,000 (2017: £240,000) of expenses were incurred incidental to the issuance of shares.

During the prior year, 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.

22. 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.

23. TRANSLATION RESERVE

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

24. SHARE OPTIONS

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

Long Term Incentive Plan ("LTIP")

In 2013, the Company approved an LTIP. During the year, 722,000 share options were granted under the LTIP (2017: 636,000).

The options outstanding at 31 December 2018 have a weighted average contractual life of 5.2 years (2017: 1.69 years).

No options were exercised in 2018 and 2017.

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 2017	**5,877**	**0.740**
Granted during the year	**636**	**0.500**
Cancelled and modified	**(525)**	**0.500**
Outstanding at 31 December 2017	**5,988**	**0.780**
Granted during the year	**722**	**0.371**
Cancelled	**(1,258)**	**0.835**
Outstanding at 31 December 2018	**5,452**	**0.650**
Exercisable at 31 December 2018	**3,275**	**0.686**
Exercisable at 31 December 2017	4,148	0.820

The share options on issue expire between 2019 and 2028. In 2018 £525,000 (2017: £84,000) was transferred from the share option reserve to accumulated losses upon expiry of the share options.

Company Share Option Plan ("CSOP")

On 10 November 2016, the Company established a CSOP to offer share options to employees. No share options were granted under the CSOP in the year (2017: nil).

The options outstanding at 31 December 2018 have a weighted average contractual life of 7.86 years (2017: 8.86 years).

No options were exercised in 2018 and 2017.

24. 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 2017	486	0.700
Cancelled	(115)	0.700
Outstanding at 31 December 2017	371	0.700
Cancelled	(14)	0.700
Outstanding at 31 December 2018	**357**	**0.700**

No options were exercisable at 31 December 2018 (2017: none).

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:

	2018	2017
Fair value of options on date of grant	£0.01 ~ £0.11	£0.05 ~ £0.07
Share price	£0.36	£0.32 ~ £0.38
Exercise price	£0.35 ~ £0.50	£0.50
Expected volatility	41.20%	41.65% ~ 42.14%
Expected life	0.5 ~ 3 years	3 years
Risk free rate	1.33%	0.75% ~ 1.56%
Expected dividend yield	0%	0%

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

The Group and the Company recognised total expenses of £184,000 (2017: £364,000), related to equity-settled share-based payment transactions during the year and this is included as part of employee benefits expense (Note 6).

25. EARNINGS PER SHARE

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

	Loss after tax		Weighted average number of shares		Loss per share	
	2018 **£'000**	2017 £'000	**2018** **'000**	2017 '000	**2018** **£**	2017 £
Basic and diluted	(24,044)	(10,564)	261,008	122,282	(0.09)	(0.09)

Weighted average number of ordinary shares	**Group** **2018** **'000**	Group 2017 '000
Issued ordinary shares at 1 January	**125,956**	116,956
Effect of public offerings issued for cash	**35,225**	5,326
Effect of shares issued in relation to business combination	**99,827**	–
Weighted average number of shares at end of the year	**261,008**	122,282

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.

26. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

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

(a) Credit risk

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

There are no significant concentrations of credit risk.

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

Loans and receivables

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

All balances are considered to be recoverable and are not past due. The total expected credit loss ("ECL") provision relating to loans and receivables for the Group is £nil (2017: £1,040,000) and the Company is £496,000 (2017: £1,536,000). See Notes 13 and 14 for further detail of loans and receivables balances.

Cash and cash equivalents

The Group held cash of £9.3 million at 31 December 2018 (2017: £5.6 million). Cash at bank is held with banks and financial institution counterparties that are licensed in the countries in which the Group operates and that are rated AA- based on Standard & Poor's ratings.

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

Guarantees

At 31 December 2018 and 2017, the Company issued guarantees to a lender in respect of credit facilities granted to a subsidiary (Note 30).

(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 2017 and 2018 are repayable on demand or due within one year from the end of the reporting period. Other than certain loans, the remaining financial liabilities are non-interest bearing.

Analysis of financial instruments by remaining contractual maturities

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

			Contractual cash flows			
Group	Notes	Carrying amount £'000	Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2018						
Financial liabilities						
Trade and other payables	17	**4,429**	**4,429**	**4,429**	**–**	**–**
Loans from a related party	19	**6,741**	**7,627**	**2,027**	**5,600**	**–**
Long term loan	19	**4,665**	**5,546**	**–**	**5,546**	**–**
Long term debentures	19	**9,476**	**12,895**	**794**	**12,101**	**–**
Secured long term loans	19	**20,738**	**34,996**	**738**	**9,355**	**24,903**
		46,049	**65,493**	**7,988**	**32,602**	**24,903**
2017						
Financial liabilities						
Trade and other payables	17	2,608	2,608	2,608	–	–
Secured bridging loan from non-controlling interests	19	1,123	1,135	1,135	–	–
Loans from a related party	19	4,311	5,568	–	5,568	–
Long term loan	19	4,264	5,514	–	5,514	–
Long term debentures	19	4,950	6,730	396	6,334	–
Secured long term loans	19	23,261	34,356	5,057	8,460	20,839
		40,517	55,911	9,196	25,876	20,839

26. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

continued

Company	Notes	Carrying amount £'000	Contractual cash flows Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
2018						
Financial liabilities						
Trade and other payables	17	**2,107**	**2,107**	**2,107**	**–**	**–**
Financial guarantees	19	**130**	**3,500**	**3,500**	**–**	**–**
Loan from a subsidiary	19	**377**	**423**	**–**	**423**	**–**
		2,614	**6,030**	**5,607**	**423**	**–**
2017						
Financial liabilities						
Trade and other payables	17	1,564	1,564	1,564	–	–
Financial guarantees	19	174	6,500	6,500	–	–
Loan from a subsidiary	19	361	423	–	423	–
		2,099	8,487	8,064	423	–

(c) Market risk

Currency risk

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

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

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Australian dollars	**5**	3	**6**	8	**–**	1	**1**	3
Euros	**312**	15	**3**	288	**311**	–	**1**	1
United States dollars	**1**	95	**3**	2	**–**	–	**3**	2
Canadian dollars	**–**	–	**–**	177	**–**	–	**–**	177
Singapore dollars	**4**	56	**76**	35	**4**	42	**72**	31

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

Foreign currency sensitivity

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

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

	Group				Company			
	Equity		Profit and loss (before tax)		Equity		Profit and loss (before tax)	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Australian dollars	**–**	–	**–**	–	**–**	–	**–**	–
Euros	**–**	–	**31**	27	**–**	–	**31**	–
United States dollars	**–**	–	**–**	(9)	**–**	–	**–**	–
Canadian dollars	**–**	18	**–**	18	**–**	–	**–**	(18)
Singapore dollars	**–**	–	**(7)**	(2)	**–**	–	**(7)**	1

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 £84,000 (2017: £13,000).

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 £154.3 million (2017: £89.8 million) and £120.6 million (2017: £38.4 million), respectively.

There are no changes in the Group's approach to capital management during the financial year. The Company is not subject to externally imposed capital requirements. Except for one subsidiary that is subject to loan restrictions and dividend distributions, such restrictions are complied with and capital relating to that subsidiary is ring fenced as required by these capital requirements. None of the other subsidiaries are subject to externally imposed capital requirements.

26. 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.

		2018		2017	
	Note	**Carrying value £'000**	**Fair value £'000**	Carrying value £'000	Fair value £'000
Group					
Financial Assets					
Loans receivable	13	**–**		168	
Trade and other receivables	14	**3,710**		3,155	
Cash and cash equivalents	16	**9,267**		5,579	
Financial assets at amortised cost under IFRS9		**12,977**		8,902	
Financial liabilities					
Trade and other payables	17	**4,429**		2,608	
Secured long term loans	19	**20,738**	**20,023**	23,261	23,259
Other loans and borrowings	19	**20,882**	**21,387**	14,648	14,284
Liabilities at amortised cost		**46,049**		40,517	
Company					
Financial assets					
Loans receivable	13	**12,164**		12,282	
Trade and other receivables	14	**39,690**		19,780	
Cash and cash equivalents	16	**5,342**		96	
Financial assets at amortised cost under IFRS9		**57,196**		32,158	
Financial liabilities					
Trade and other payables	17	**2,107**		1,564	
Loan from a subsidiary	19	**377**	**382**	361	364
Other loans and borrowings	19	**130**		174	
Liabilities at amortised cost		**2,614**		2,099	

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.

26. 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.

27. RELATED COMPANY AND RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Interest income from a joint venture				
– Atlantis Operations (Canada) Limited	**–**	85	**–**	85
Interest income from a subsidiary				
– MeyGen Limited	**–**	–	**59**	56
Service fee income from a subsidiary				
– Atlantis Resources (Scotland) Limited	**–**	–	**166**	728
Service fee expense charged by a subsidiary				
– ARC Operations Pty Limited	**–**	–	**–**	5
Interest expense arising from related party				
– Morgan Stanley Capital Group Inc.	**276**	255	**–**	–
Interest expense arising from a subsidiary				
– Atlantis Resources (Scotland) Limited	**–**	–	**15**	16
Recharge of costs to related party				
– Severn Power Limited	**89**	–	**–**	–
– SIMEC Power 1 Limited	**42**	–	**–**	–
– SIMEC Energy Pty Limited	**500**	–	**–**	–
– Reimbursement of non-Executive Director fees paid by SIMEC International (UK) Ltd	**20**	–	**–**	–
Lease premium charged to a related party				
– SIMEC Power 1 Limited	**1,475**	–	**–**	–

27. RELATED COMPANY AND RELATED PARTY TRANSACTIONS continued

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

	Group	
	2018 £'000	2017 £'000
Short-term benefits	**836**	562
Defined contribution benefits	**26**	26
Share based payments	**75**	108
	937	696

28. OPERATING LEASES

Operating leases – lessee
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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Within one year	**430**	434	**–**	9
Between two and five years	**878**	1,081	**–**	–
More than five years	**6,128**	6,268	**–**	–
	7,436	7,783	**–**	9

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.

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Within one year	**–**	–	**–**	–
Between two and five years	**–**	–	**–**	–
More than five years	**99**	–	**–**	–
	99	–	**–**	–

One of the subsidiaries of the Group, SUP, leases excess land available at the power station site to a related party, SIMEC Power 1 Limited. The lease is agreed on a 999 year basis and includes a lease premium of £1.5 million, which is recognised in advanced receipts (Note 17).

29. COMMITMENTS

At 31 December 2018, the Group, through its subsidiary SUP, has entered into contracts relating to the conversion of the Uskmouth power station for £5.3 million (2017: nil), of which £4.9 million relates to FEED. As at the reporting date, £0.9 million had been incurred.

At 31 December 2018, the Group had outstanding commitments under contracts for design and subcontractors relating to both tidal and power plant running works for £0.6 million (2017: £0.4 million).

30. CONTINGENT LIABILITIES

The Company has guaranteed credit facilities of £3.5 million (2017: £6.5 million) granted to subsidiaries.

31. EVENTS AFTER THE REPORTING PERIOD

In March 2019, Atlantis raised over £5 million, before expenses, through an equity fundraising, the net proceeds will be used for the Company's general corporate purposes. Simultaneously £5 million of Atlantis consideration shares were issued to SIMEC and payment for these shares will be received over the coming months.

32. SEGMENT INFORMATION

(a) Operating segments

The Group is principally engaged in generating energy from renewable generation projects, development of these projects, as well as turbine and engineering services for the tidal power industry. In addition to the development of power projects, the power generation division currently focuses on the development of the MeyGen tidal energy project, whereas the turbine and engineering services division focuses on the development and delivery of turbines and technology solutions for projects worldwide. The divisions are managed separately because they require different expertise and marketing strategies. The acquisition of SUP in 2018 has been included in the project development segment.

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 2018 and 2017.

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.

2018	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Unallocated £'000	Total £'000
External revenues	2,097	120	–	–	2,217
Inter-segment revenue	–	2,283	–	(2,283)	–
Interest revenue	8	16	–	(16)	8
Interest expense	(1,824)	(237)	(128)	(809)	(2,998)
Depreciation and amortisation	(2,533)	(740)	(3,204)	(822)	(7,299)
Reportable segment loss before tax	(4,623)	(6,477)	(6,071)	(6,993)	(24,164)
Reportable segment assets	69,338	29,887	88,494	1,690	189,409
Capital expenditure	236	12	828	–	1,076
Reportable segment liabilities	(33,819)	(37,969)	(50,650)	52,592	(69,846)

32. SEGMENT INFORMATION continued

2017	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Unallocated £'000	Total £'000
External revenues	301	–	–	–	301
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)

(b) Geographical segments

Total segment revenue for the Group is £2,217,000 (2017: £301,000). 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 a tidal turbine to one of the projects.

COMPANY INFORMATION

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