

# ANNUAL REPORT 2021



**SIMEC ATLANTIS  
ENERGY**

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Uskmouth power station



Cable laying - Loch Etive



Powerhouse - Glenkinglass



Safety Briefing - Shop 1 Nigg Energy Park



AR500 System Testing - Shop 1 Nigg Energy Park



AR500 - Goto Islands

# Chairman's Statement

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## Introduction

The last 12 months have been a very challenging period for the Group in which we have had to make a number of very difficult decisions, however, it has also been a period in which we have been successful in identifying and securing a number of new and exciting opportunities. I believe that we end the period with a clear path forward for the Group, a significantly streamlined business, and a number of exciting projects under development that will deliver value to shareholders.

The backdrop for the Group, as for many other companies, has remained difficult over the last 12 months. A combination of the recovery from COVID, the COP26 meetings in Glasgow, and the war in Ukraine, have provided an increased focus on, and resulting acceleration of, the pressing need for decarbonisation, but also on the imperative for energy security. New challenges have emerged in the UK and in a number of other countries around the world as a result of a significantly increased reliance on weather dependent renewables, which coupled with a decrease in thermal power generation, have brought into focus the need for both predictable power generation as well as the need for increased energy storage solutions.

## Uskmouth

As we announced in April 2022, we made the very difficult decision to halt the development of the Uskmouth Power Station conversion from coal to waste-derived fuel pellets. Whilst we still believe that the rationale for the project is compelling and we had been making excellent progress in engineering design, procurement, fuel testing and securing fuel supply, it was clear that we were not going to be able to secure the permit and planning consents that the project required.

The Company spent a huge amount of time and money on developing this project, so I will not pretend that this was not a major setback for us. However, despite the cancellation of the conversion project, we still retain the Uskmouth Power Station site, for which we are identifying other development opportunities, and we have the benefit of a huge amount of learnings from the development of the Uskmouth conversion that we can apply to other coal power station conversion projects elsewhere.

For the Uskmouth Power Station site, we are planning to redevelop the site into a sustainable energy park. The site has a number of valuable features, including a significant and upgradeable connection to the UK National Grid, a significant amount of land, rail and port access, proximity to major commercial and industrial power users, and a nearby gas pipeline. We are developing a comprehensive plan for the redevelopment of the Uskmouth site, and we were delighted to announce in May 2022 the first step in this plan, the development of 230 MW battery energy storage project at the site.

## New conversion opportunities

Whilst the Uskmouth Power Station conversion project is not proceeding, much of the engineering design, procurement, fuel testing and fuel supply designs, contractual structures and expertise that we developed for Uskmouth are directly applicable to other coal power station conversion projects internationally.

The management team has undertaken a detailed global mapping to identify potential coal conversion projects, targeting countries with a high reliance on coal-fired power stations and where we can secure the required waste feedstocks on attractive terms. In these countries, simply closing coal-fired power stations is not an option without the lights going out, so conversions of existing coal-fired power plant to waste derived fuel pellets that bring down carbon emissions significantly, akin to those of a new gas-fired power station, and which in addition address the huge issue of plastic waste, are compelling.

We are focusing our development efforts in eastern Europe for these reasons, with the attractiveness of this proposition being significantly boosted by the current increased price of, and security of supply issues for, gas, which have brought into focus the need for alternative sources of low carbon emission, predictable power generation. We are already working with our partners on a number of early-stage opportunities and look forward to bringing these projects forward through development and into construction.

# Chairman's Statement

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continued

## MeyGen phase 1A

The tidal business also had a challenging last 12 months, with three out of the four tidal turbines at MeyGen out of the water for much of that period as a result of technical issues coupled with a delay in securing funding to redeploy to these turbines. The Atlantis AR1500 turbine was successfully redeployed in March 2022 after a number of upgrades to the turbine and an extensive testing programme. The AR1500 has since operated successfully and dispatched power into the UK grid, together with one of the Andritz turbines which has operated almost continuously since its deployment in 2018.

In April 2022, we were very grateful to Scottish Enterprise for providing MeyGen with a further £2.5 million loan. This funding will be used to fund the redeployment of the two remaining Andritz tidal turbines and support the stabilisation of operations. We expect to complete the redeployment of these two turbines within the next 9 months.

Whilst the first phase of the MeyGen project has suffered from operational challenges, the learnings from this first phase of MeyGen have been enormous and these learnings are already being applied to future phases of MeyGen and tidal power projects elsewhere. We continue to believe that tidal power has a crucial role to play within modern renewable energy dominated electricity grids in providing a predictable and sustainable source of electricity generation, and the first phase of MeyGen has demonstrated the viability of tidal power as a commercial source of sustainable, predictable power generation.

## MeyGen phase 2

We were delighted, therefore, with the UK Government's announcement in November 2021 of "ring fenced" funding support for tidal power and a commitment for ongoing support for the development of the tidal power sector. We are optimistic that we will be able to secure revenue support for future phases of the MeyGen project through this mechanism to allow us to progressively build out at least the remaining consented 86 MW at MeyGen and ultimately to the site's full 398 MW capacity.

Development of the MeyGen project remains a key priority for us, and we will continue to explore ways to further develop the site and generate value for shareholders.

## Strategy

We are a developer of innovative sustainable alternative energy solutions. We are not seeking to compete with large utilities and oil companies in delivering "commoditised" renewable energy projects such as wind and solar, but rather seek to identify innovative solutions to help aid the energy transition. In particular, we recognise the challenges posed by the growing dominance of weather dependent renewable generation and that the transition to renewables and net zero cannot be immediate. Our coal project conversions business, for example, provides a predictable, diversified source of sustainable power generation, provides for a larger reduction in carbon emissions than the same capacity of weather-dependent renewables, and delivers the added benefit of addressing the plastic pollution problem.

Our priorities in the near term are focused on the development of the Uskmouth sustainable energy park, stabilisation of existing operations at, and expansion of, the MeyGen tidal project, and securing future coal conversion projects.

# Chairman's Statement

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## Financial

You will see from our accounts this year that we made a very significant loss for the year as a result of having to make asset write downs, principally associated with our decision not to proceed with the Uskmouth Power Station conversion project. We are optimistic about the value that we can deliver from the Uskmouth Sustainable Energy Park, but given that we are still in the relatively early stages of developing our strategy for the Uskmouth site, these developments are not yet sufficiently advanced to demonstrate a tangible valuation to our auditors. You can be assured that we are very focused on delivering full value to shareholders from the Uskmouth site as well as to capitalise on the extensive learnings from the Uskmouth conversion project which we are seeking to apply elsewhere.

## Thank you

As a Group we are passionate about what we do and feel privileged to be in a position to make a tangible contribution to the transition to net zero. We look forward to the next 12 months and to keeping you apprised of our progress.

I would like to sincerely thank all the members of our fantastic management team for their hard work throughout the last 12 months and all of our stakeholders - shareholders, local communities, governments, and business partners - for their ongoing support to the Group and our projects.

## Annual general meeting

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

### **Duncan Black**

*Chairman*

28 June 2022



# Chief Executive Officer's Statement

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This statement gives me the opportunity to reflect on my first year as CEO at SAE. We have been presented with many significant challenges, but I am incredibly proud that we've overcome most of these and I know we have the team, skills and assets in place to deliver long-term, sustainable growth for our business and you, our shareholders.

2021 saw the Company make some difficult but important decisions. While these have had short-term impacts on the business and our financial statements, I am convinced they are the right decisions for the long term benefit of the business. The termination of the Uskmouth power station conversion and the repair of the defects identified on the two Andritz tidal turbines used at the MeyGen site and its operational challenges impacted our cashflow position and resulted in the need for an equity capital raise in October, the disposal of non-core assets and a significant reduction in the cost base.

Having taken the necessary steps to restructure the business the leadership team have put in place a sustainable business plan which will ultimately deliver a return to shareholders in the medium to long term.

## **Tidal business:**

Our Japanese project was a major success with our AR500 (500 KW) turbine commissioned early in 2021 and operating faultlessly for the duration of the project, delivering 250 MWh. The project was concluded at the end of 2021.

The MeyGen site currently has 2 of the 4 turbines fully operational, it is important to recognise that the project has generated 43GWh of renewable power to date, and 7GWh in 2021/22. To put this achievement in context, this represents 60% of worldwide generation from tidal energy. We are proud that we remain the leaders in tidal stream technology and want to build on this to ensure we remain in that position.

Of course, this has only been achieved with the huge support of our shareholders and business partners. I would like to especially recognise the support of Scottish Enterprise who continue to support the MeyGen project and ensure that Scotland is front and centre in the exciting development of this technology.

We have been working hard to ensure that we take all our learnings and unlock this world-leading site for the further deployment of turbines, collaboration with the wider tidal industry has been a key part of this. The industry now has the backing of Westminster and its own dedicated budget in the Application Round 4, Contract for Difference auction, which ended in mid June. We will know the results by mid July 2022.

## **Development Business:**

It was an incredibly difficult decision to halt the conversion of the Uskmouth power station, but it was made easier knowing the knowledge and skills we have developed can still deliver value for our business. The lessons learned will be translated into future success in Europe where there is a recognition that transition technologies will be part of the generation mix in achieving net zero. We are working with our partners and have identified some key prospects in Poland and the Czech Republic and will continue to update you as these opportunities progress.

It is also important that we still realise the value of the Uskmouth site, separate from the conversion. As we develop plans for a Sustainable Energy Park, we were delighted in May to announce an anchor battery storage project of a 230MW/460MWh, which will be owned and operated by Quinbrook Infrastructure Partners and is due for completion in 2024. We are planning to develop a further two battery projects on the site. We are also exploring alternative and complementary uses for the 237 MW MeyGen grid connection which is currently scheduled for completion in 2026.

# Chief Executive Officer's Statement

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## 2021 financial Performance:

The Group recorded a loss after tax of £74.1 million for the year ended 31 December 2021, compared with a £19.4 million loss in the prior year. The increase in loss is driven by £53.1 million of non-cash impairments on tangible and intangible assets in the year, the most significant of which are a £32 million charge against the Uskmouth Power Station assets following the decision in April 2022 not to proceed with the power station conversion project and a £13.2 million charge on the value of the Meygen project assets, reflecting the operational difficulties experienced with the turbines during the year.

Group revenue fell from £13.5 million in 2020 to £9.3 million in 2021. This reflected a drop off in revenues in our Atlantis Turbines and Engineering Services division following the successful completion of the phase 1 Japan contract.

Power sales from the Meygen tidal power project were £1.6 million, a drop of £0.9 million from 2020 reflecting the turbine outages during the year.

Total expenses for the year (excluding depreciation and impairment) were £16.6 million, down from £18.4 million in 2020. During the latter part of 2021, the Group undertook a major restructuring of its cost base which will deliver significant operating costs reductions in full year 2022.

The Group's closing net asset balance was £16.7 million (2020: £81.8 million) with the decrease largely the result of the asset impairments recognised during the year.

In October 2021, SAE raised approximately £2.6 million through a placing which resulted in 104,000,000 new Ordinary shares being issued. In June 2022 the Group reached agreement with its Atlantis Ocean Energy debenture holders to defer repayment of £4.9 million of principal due on 30 June 2022 until 30 June 2023.

## **Graham Reid**

*Chief Executive Officer*

28 June 2022

# Board of Directors

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## **Duncan Stuart Black**

*Non-Executive Chairman*

Duncan Black was appointed Chair of the Board on 1 September 2021 following his return to the Board as a Non-Executive Director in October 2020. Duncan previously served as the Chief Financial Officer and an Executive Director of the Company from 2012-2015, and subsequently as a Non-Executive Director. He has been based in Asia for over 20 years working in the power and infrastructure sectors as a project developer, Chief Financial Officer, investment banker and fund manager. Duncan's previous roles have included Co-Head of Infrastructure Investment at Eastspring Investments (part of Prudential plc), Asia Head of Acquisitions at Deutsche Asset Management's infrastructure funds management business, and CFO of CLP Holdings' Australian electricity and gas utility business, now EnergyAustralia. Duncan is currently engaged in developing wind and solar power projects in Asia. Duncan has a BEng (Hons) in Civil Engineering and a PhD in Fluid Dynamics, each from Imperial College, London.

## **Graham Matthew Reid**

*Chief Executive Officer*

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

## **Simon Hirst**

*Chief Financial Officer*

Simon Hirst was appointed Chief Financial Officer on 25 April 2022. Simon has worked within the Group since 2015 and prior to his appointment as CFO was primarily responsible for all financial and commercial aspects of the MeyGen project. Before joining the Group, Simon gained international blue-chip corporate experience at a number of organisations including ExxonMobil, Pepsi Cola, Iron Mountain and international power generation company InterGen.

## **John Anthony Clifford Woodley**

*Non-Executive Director*

John Woodley joined the Board on 22 September 2008. He was at that time co-head of the power- and gas- related commodity business for Europe and Asia at Morgan Stanley. He founded the very successful US electricity trading operations for Morgan Stanley in New York in 1994, having worked as a power plant operator and then as an industrial marketing engineer for electric utilities. After ten years with Morgan Stanley in New York, John moved to London to help build the electricity and electricity-related energy business outside the US. John is now based in Switzerland and acted as a senior adviser to Morgan Stanley until Q1 2021. John has a BSc Eng (Elec) from Wits University, Johannesburg, an MBA from Valdosta State University and an MS in Finance from Georgia State University.



# Board of Directors

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## **Andrew Luke Dagley**

*Non-Executive Director*

Andrew Dagley joined the Company in early 2014 from IFM Investors, one of the largest fund managers of infrastructure globally, having previously worked with a range of superannuation infrastructure investors, renewable energy project developers and Flinders Corporate Finance, a boutique investment bank. Andrew previously served in an executive capacity as Chief Financial Officer and Executive Director – Corporate Finance, before being appointed as a Non-Executive Director in November 2021. Andrew has over 15 years of experience in infrastructure investment with an emphasis on renewable energy, having worked on a range of renewable and sustainable energy projects across Asia Pacific and the UK. He has a Bachelor of Commerce (Hons) Finance from the University of Melbourne.

## **Mark Edward Monckton Elborne**

*Former Non-Executive Director*

Mark Elborne joined the Board on 15 June 2018 and left the Board on 26 October 2021.

## **George Jay Hambro**

*Former Non-Executive Director*

Jay Hambro joined the Board on 15 June 2018 and left the Board on 28 September 2021.

# Directors' Report

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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 2021.

## Corporate governance

The corporate governance statement on pages 12 to 18 forms part of the Directors' report.

## Principal activities and business review

The Group is a global developer of renewable and sustainable energy projects. The Group holds equity positions in a diverse portfolio of power projects in various stages of development which include the world's flagship tidal stream project, MeyGen and the Uskmouth power station site that is being developed into a sustainable energy park. During the year, the Group sold its subsidiary SIMEC GHR Ltd. ("GHR"), an operator and developer of hydroelectric assets in Scotland. Further information on the Group's activities is contained in the Chief Executive Officer's Statement on page 6.

A review of the business during the year is contained in the Chairman's Statement and Chief Executive Officer's Statement on pages 3 to 7.

## Directors

The Directors who served in office during the year ended 31 December 2021 were as follows:

Duncan Black – Independent Non-Executive Chairman – appointed as Chair 1 September 2021

John Neill – Independent Non-Executive Chairman – resigned 18 August 2021

Graham Reid – Chief Executive Officer – appointed 18 January 2021

Timothy Cornelius – Chief Executive Officer – resigned 18 January 2021

Andrew Charters – Chief Financial Officer – appointed 29 November 2021, resigned 25 April 2022

John Woodley – Non-Executive Director

Andrew Dagley – Non-Executive Director

Mark Elborne - Non-Executive Director – resigned 26 October 2021

Jay Hambro - Non-Executive Director – resigned 28 September 2021

The Directors' biographies are shown on pages 8 and 9.

Further detail of the Board changes can be found in the Corporate Governance Report on pages 12 to 18.

## Directors' remuneration

The report on Directors' remuneration is set out on pages 22 to 25.

# Directors' Report

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## Directors' interests in shares

The interests of Directors in shares of the Company are disclosed in the Remuneration Report on pages 22 to 25.

## Annual general meeting

Further details of the AGM will be communicated in a separate Notice of Annual General Meeting to be sent in due course and which will be available at [www.simecatlantis.com](http://www.simecatlantis.com)

This report was approved by the Board on 28 June 2022 and signed on its behalf.

By order of the Board of Directors

**Duncan Black**

*Chair of the Board*

28 June 2022

**Graham Reid**

*Chief Executive Officer*

28 June 2022

# Corporate Governance Report

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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 and 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 2021, the Board comprised seven Directors for the majority of the year. The seven Directors included an independent Non-Executive Chairman, one independent Non-Executive Director, three non-independent Non-Executive Directors and two Executive Directors: the Chief Executive Officer and the Corporate Finance Executive. Two of the non-independent Non-Executive Directors held Board positions as the nominated representatives of the Company’s major shareholder SIMEC.

Following the resignations of the SIMEC nominated representatives in September and October 2021, SIMEC has not appointed replacement representatives to the Board. In November 2021, Mr Andrew Dagley resigned his executive position and was appointed as a non-executive member of the Board. Since that date, the Board has comprised an independent non-executive Chairman, one independent non-executive Director, one non-independent non-executive Director 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 2021:

Duncan Black – Independent Non-Executive Chairman

Andrew Dagley – Executive Director – Corporate Finance and subsequently Non-Executive Director

John Woodley – Non-Executive Director

The following Directors of the Company were in office during parts of the year ended 31 December 2021:

Graham Reid was appointed as an Executive Director and Chief Executive Officer on 18 January 2021.

Jay Hambro and Mark Elborne resigned as Non-Executive Directors on 28 September 2021 and 26 October 2021 respectively.

On 29 November 2021, Andrew Charters was appointed to the Board as an Executive Director and Chief Financial Officer. Subsequent to the year end, on 25 April 2022, Andrew Charters resigned and was replaced by Simon Hirst.

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

## The Chairman

The Chairman, Duncan Black, 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

# Corporate Governance Report

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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 15 to 17.

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

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

Notwithstanding that Duncan Black holds ordinary shares in the Company (as detailed on page 22), the Board has considered his independence and has concluded that Mr Black has demonstrated the utmost regard for his independence, appropriately challenging the Board and maintains high standards of corporate governance on the Board. Furthermore, the Board considers that Mr Black 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. The Company and SIMEC entered into a relationship agreement to ensure that the Company can continue to operate independently of the SIMEC Group and the GFG Alliance, as detailed on page 18.

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

## Board Diversity

While the Board is comprised entirely of males, we consider that, as a whole, it is diverse in respect of its range of culture, nationality and international experience. The Nomination Committee is aware that the lack of female representation requires focus and attention. Gender diversity is important to the Board of Directors and the Executive Team and subject to identifying appropriate candidates(s), future vacancies will be filled by individuals

# Corporate Governance Report

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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 17 and on our website [www.simecatlantis.com](http://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 2021, the number of scheduled Board meetings attended by each Director was as follows:

	<b>Attended</b>
Duncan Black	13/13
Graham Reid	13/13
John Woodley	13/13
Andrew Dagley	13/13
John Neill*	7/7
Mark Elborne*	10/10
Jay Hambro*	9/9
Andrew Charters**	1/1

\* Resigned during year. Full attendance at all Board meetings called during period of office.

\*\* Andrew Charters was appointed on 29 November 2021 and attended 1 Board meeting as an Executive Director during the year.

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

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

## Board Evaluation

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

The Nomination Committee led an evaluation of the Board performance during the year which recommended a number of changes which were endorsed by the Board and subsequently implemented. These included a series of strategy sessions between the Board and management to better define the Group's strategic priorities, a change to the format of Board meetings to focus more on the discussion of key issues and strategy, and a restructuring of the composition of the Committees.

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

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

## Senior Independent Director

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



# Corporate Governance Report

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## 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 2022 AGM.

Accordingly, Andrew Dagley 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. These terms of reference for all Committees were reviewed during 2021.

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 Remuneration Committee or Audit Committees, although they may be invited to attend meetings.

Directors' attendance at Committee meetings (in their capacity as members of each Committee) held during 2021 is provided in the table below:

<b>Committee Member</b>	<b>Audit Committee Attended</b>	<b>Remuneration Committee Attended</b>	<b>Nomination Committee Attended</b>	<b>Technology Committee Attended</b>
Duncan Black	6/6	1/1	2/2	3/3
John Woodley	6/6	4/4	1/1	3/3
Andrew Dagley	–	1/1	–	1/1
John Neill	–	3/3	1/1	–
Mark Elborne	5/5	3/3	–	2/2
Jay Hambro	–	–	1/1	–

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. Graham Reid and Simon Hirst in their positions as Executive Directors are not formal members of Audit Committee, Remuneration Committee or Technology Committee, however, attend meetings as deemed appropriate by the Committee Chairs.

## Audit Committee

Chairman: John Woodley (Prior to 1 September 2021: Duncan Black)

Members: Duncan Black and Andrew Dagley

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

The current Chairman of the Audit Committee has previously held senior positions with Morgan Stanley in the US and the UK. The Board is satisfied that he has recent and relevant financial experience. The Chairman of the Audit Committee attended all scheduled meetings throughout the year under review.

# Corporate Governance Report

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

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

The Audit Committee met six times during 2021 and four times post year end. It has subsequently advised the Board that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable for shareholders to assess the Company's performance, strategy and business model.

The report from the Audit Committee is set out on pages 19 to 21.

## Remuneration Committee

Chairman: John Woodley (Prior to 26 October 2021: Mark Elborne)

Members: Duncan Black and Andrew Dagley

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

The Remuneration Committee is responsible for reviewing the performance of the Executive Directors and setting the remuneration policy for Executive Directors. The objective of the policy is to attract, retain and motivate executive management of suitable calibre without paying more than necessary, having regard to the views of shareholders and stakeholders. The Remuneration Committee monitors and makes recommendations to the Board on matters relating to level and structure of executive management remuneration.

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

The Remuneration Committee met on four occasions during 2021.

The Directors' Remuneration Report from the Remuneration Committee is set out on pages 22 to 25.

## Nomination Committee

Chairman: Duncan Black (Prior to 18 August 2021: John Neill)

Members: John Woodley, Graham Reid

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

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

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

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

# Corporate Governance Report

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continued

## Technology Committee

Chairman: John Woodley

Members: Duncan Black, Andrew Dagley

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

The Technology Committee met three times during the year.

## Internal Controls and Risk Management

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

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

The Group's system of internal control includes an on-going process of identifying, monitoring and managing risks by executive management, who ensure that adequate systems, processes and controls are in place. Reports are provided by management to the Audit Committee on internal control and risk management policies, and the Board monitors risk exposures, risk management activities and the effectiveness of controls. In particular, Health and Safety ("H&S") has been identified as a key area of risk to the business. The Company 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 levels and segregation of duties for financial management;
- maintenance policies and approval procedures with proper authorisation levels and segregation of duties for financial management;
- an annual budgetary process to set the appropriate target for monitoring the progress of the Group;
- 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 a periodic assessment of the principal risks facing the Company, as maintained in the Company's Risk Register.

## Our People

Our people are integral to our success and their fulfilment and development is core to our people proposition. The COVID-19 pandemic brought a whole new range of challenges for our employees but with the introduction of flexible working patterns, wellbeing toolkits and the creation of a support group for line managers, we were successful in facing these new challenges head-on and keeping a highly engaged and productive workforce.

# Corporate Governance Report

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continued

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

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

## Shareholder and Social Responsibilities

The Directors are aware of the importance of considering the Company's impact on its wider stakeholders. Where appropriate, the Company endeavours to take account of feedback received from stakeholders. The Group has worked closely with the local community as part of the pre-application consultation on the Uskmouth conversion project. The Group has spent time with local schools in Scotland to promote STEM education. The Meygen project has engaged extensively with its stakeholders, most recently on the subject of marine mammal monitoring and the innovation of new monitoring devices to track fine-scale marine movement around our underwater turbines.

## 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 shareholders on these issues and shareholders receive a balanced and consistent view of the Company's performance. Communication is primarily through the AGM, which provides an opportunity for all shareholders to meet and ask questions of Directors and management, and at which the CEO presents a detailed presentation to shareholders on the Group's business. The Company continues its dialogue with investors through periodic 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](http://www.simecatlantis.com). All shareholders will receive a copy of the audited financial statements, either via hardcopy or the website. The Company's Annual Report and Accounts are made available on the Company's website.

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

## Major Shareholder and Shareholder Arrangement

On 21 May 2018, the Company and SIMEC, which at the end of May held 29.7% of the Company's share capital, entered into a relationship agreement. The principal purpose of this agreement 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. At the time of writing, SIMEC has no appointed Directors on the Board or representatives appointed to any Committees.

The relationship agreement between the Company and SIMEC formally terminated as a result of SIMEC's shareholding in the Company falling below 30.0%, however, certain provisions, including the right to appoint two Directors, continue to apply until SIMEC's shareholding falls below certain further lower thresholds.

By order of the Board of Directors

**Duncan Black**  
*Chairman of the Board*

28 June 2022

# Audit Committee Report

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

The Audit Committee comprises three Non-Executive Directors (the “Members”), appointed by the Board. All Members of the Audit Committee are considered to have relevant experience in the industry in which the Company operates. The Board is also satisfied that at least one Member of the Audit Committee has recent and relevant financial experience. Further details on the Audit Committee’s membership and attendance records can be found in the Corporate Governance Report on page 15.

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

## Role of the Audit Committee

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

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

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

## Matters Considered During the year

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

- Group operational risks;
- Resignation of external auditor;
- Appointment of external auditor;

# Audit Committee Report

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continued

- 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 reappointment;
- Assessment of the need for an internal audit function; and
- Terms of Reference of the Audit Committee.

## Insights into the Audit Committee's Activities During the year

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

The Company's external auditors, Moore Stephens LLP, were engaged to perform an audit on the financial statements of the Company and Group for the year ended 31 December 2021, which are presented in this annual report to shareholders.

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

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

- Going concern and long-term viability – the Audit Committee reviewed the Group's liquidity position, management's financial forecasts including stress testing of potential risks, and management's conclusion that there was a reasonable expectation that the Company and Group have sufficient resources to continue in operation for the period of going concern assessment. The Audit Committee concurred with the material uncertainties highlighted in Note 3(a) and concluded that the disclosures in this Annual Report and Accounts 2021 regarding the Group's going concern and future viability were balanced and understandable.
- Carrying value of intangible assets and property, plant and equipment – the review for impairment of intangible assets and property, plant and equipment was based on cash flow projections to calculate a fair value less cost to sell for each of the Group's projects. The achievability of the forecast is a risk, given the inherent uncertainty within any financial projection. The Audit Committee evaluated a paper from management detailing the results of the impairment assessment. Key assumptions were reviewed and challenged by the Audit Committee, including discount rates, business risk factors and cash flow projections based on the most recent budget and strategic reviews. Actions and factors likely to influence levels of impairment were reviewed with alternative scenarios requested for further analysis. Taking into account the documentation presented, the Audit Committee was satisfied with the approach and judgements made.



# Audit Committee Report

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continued

- Adequacy of decommissioning provisions – the Audit Committee considered a paper prepared by management to support estimates of the various elements of decommissioning obligations required for the projects in which the Group is engaged. The key assumptions and independently verified costs presented were deemed to be appropriate.
- Carrying value of the parent company investments in subsidiary companies – following review of the investment values and the appropriate adjustment to values proposed by management, the Audit Committee concluded that the values recorded in the 2021 Annual Report and Accounts were appropriate.
- Revenue recognition – the Audit Committee considered the methodology of income recognition, particularly in terms of major projects, and was satisfied that the approach taken was appropriate and in accordance with the Group’s accounting policy.

## Internal Audit Function

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

## Auditor Objectivity and Independence

The Audit Committee monitors and reviews the effectiveness of the external audit process, including a review of the audit plan and the audit results report. The Audit Committee has assessed the performance of the external auditor in respect of the 2021 audit. The Audit Committee has satisfied itself that safeguards were in place to protect the objectivity and independence of the external auditor.

Moore Stephens LLP has expressed its willingness to remain in office as the Company’s external auditor and a recommendation to approve their re-appointment will be put forward at the Company’s AGM.

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

## Terms of Reference

The Audit Committee keeps its terms of reference under review and makes recommendations for changes to the Board. The full terms of reference are available on the Company’s website at [www.simecatlantis.com](http://www.simecatlantis.com).

### **John Woodley**

*Chairman of the Audit Committee*

28 June 2022

# Directors' Remuneration Report

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This report includes details of the Directors' remuneration in 2021. 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 16.

## 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 1967 (the "Act"), none of the Directors of the Company holding office at the end of the financial year had any interests in the shares or debentures of the Company and its related corporations, except as follows:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Ordinary shares				
Duncan Black	1,042,419	1,042,419	–	–

## Executive Directors' Service Contracts and Payments for Loss of Office

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

## Non-Executive Directors' Letters of Appointment

The Company's Non-Executive Directors are not committed by service contracts to the Company and are engaged by letters of appointment. These provide for a maximum of three months' notice of termination by either party at any time, with no pre-determined amounts of compensation.

## Payments to Past Directors

In addition to the payments noted in the table below, Tim Cornelius was paid £66,000 via a personal services company during 2021. These payments were for consultancy support to provide a managed transition with the new CEO Graham Reid.

# Directors' Remuneration Report

continued

## 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 2021 and 31 December 2020. This includes any pension and employer's National Insurance contributions and excludes share-based payments. During 2021, to support the Company and preserve liquidity through the period of uncertainty, the Chairman and Non-Executive Directors deferred payments for 3 months.

Director	Annual Remuneration	
	2021 £'000	2020 £'000
John Neill <sup>(3)</sup>	55	80
John Woodley <sup>(2)</sup>	39	39
Andrew Dagley <sup>(2)</sup>	119	170
Mark Elborne <sup>(4)</sup>	32	39
Duncan Black	48	8
Tim Cornelius <sup>(1)</sup>	72	353
Graham Reid <sup>(1)</sup>	290	–
Andrew Charters <sup>(5)</sup>	13	–

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

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

(3) John Neill resigned from the Board on 18 August 2021

(4) Mark Elborne resigned from the Board on 26 October 2021

(5) Andrew Charters was appointed to the Board on 29 November 2021

## Long Term Incentive Plan ("LTIP")

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

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

Name	Date of grant	Ordinary shares	Nature of award	Exercise price	Vesting period
Graham Reid	4 January 2021	1,000,000	Option	£0.25	1/3 on each of first, second and third anniversary of grant
Graham Reid	05 February 2021	1,000,000	Option	£0.25	1/3 on each of first, second and third anniversary of grant
Graham Reid	19 March 2021	1,000,000	Option	£0.20	1/3 on each of first, second and third anniversary of grant
Graham Reid	31 December 2021	5,000,000	Option	£0.022	1/3 on each of first, second and third anniversary of grant
Simon Hirst	31 December 2021	1,000,000	Option	£0.022	1/3 on each of first, second and third anniversary of grant

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

# Directors' Remuneration Report

continued

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

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

<b>Date of grant / modification</b>	<b>Balance at 1.1.2021</b>	<b>Granted</b>	<b>Exercised</b>	<b>Cancelled / lapsed</b>	<b>Balance at 31.12.2021</b>	<b>Exercise price per share</b>	<b>Exercisable period</b>
01.01.2016	350,000	–	–	(200,000)	150,000	£0.50	01.01.2016 to 01.01.2026
30.09.2016	640,000	–	–	(390,000)	250,000	£0.50	30.09.2016 to 30.09.2026
05.12.2016	970,000	–	–	(970,000)	–	£0.50	05.12.2016 to 05.12.2026
21.12.2017	336,000	–	–	(336,000)	–	£0.50	21.12.2017 to 03.08.2027
21.12.2017	300,000	–	–	(300,000)	–	£0.50	21.12.2017 to 29.09.2027
15.06.2018	600,000	–	–	(300,000)	300,000	£0.35	15.06.2018 to 15.06.2028
15.06.2018	75,480	–	–	–	75,480	£0.50	15.06.2018 to 15.06.2028
29.06.2020	1,400,000	–	–	(1,400,000)	–	£0.30	29.06.2020 to 29.06.2030
29.06.2020	100,000	–	–	–	100,000	£0.50	29.06.2020 to 29.06.2030
04.12.2020	60,000	–	–	–	60,000	£0.20	04.12.2020 to 04.12.2030
04.12.2020	300,000	–	–	–	300,000	£0.30	04.12.2020 to 04.12.2030
04.01.2021		1,500,000		(500,000)	1,000,000	£0.25	04.01.2021 to 04.01.2031
05.01.2021		3,000,000	–	(1,000,000)	2,000,000	£0.25	05.02.2021 to 05.02.2031
19.03.2021		1,750,000	–	(500,000)	1,250,000	£0.20	19.03.2021 to 19.03.2031
31.12.2021		20,300,000	–	–	20,300,000	£0.02	31.12.2021 to 31.12.2031
<b>Total</b>	<b>5,131,480</b>	<b>26,550,000</b>	<b>–</b>	<b>(5,896,000)</b>	<b>25,785,480</b>		

# Directors' Remuneration Report

continued

## Company Share Option Plan ("CSOP")

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

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

<b>Date of grant / modification</b>	<b>Balance at 1.1.2021</b>	<b>Granted</b>	<b>Exercised</b>	<b>Cancelled / lapsed</b>	<b>Balance at 31.12.2021</b>	<b>Exercise price per share</b>	<b>Exercisable period</b>
10.11.2016	285,700	–	–	–	285,700	£0.70	11.11.2026 to 11.11.2026
19.08.2019	2,950,000	–	–	(850,000)	2,100,000	£0.20	19.08.2019 to 19.08.2029
25.03.2021	–	6,999,993	–	(2,333,331)	4,666,662	£0.09	25.03.2021 to 25.03.2031
<b>Total</b>	<b>3,235,700</b>	<b>6,999,993</b>	<b>–</b>	<b>(3,183,331)</b>	<b>7,052,362</b>		

Other than the above, no option to take up unissued shares of any corporation in the Group was granted and there were no shares of any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares. At the end of the financial year, other than the above and the share placing agreement discussed in Note 26 to the financial statements, there were no unissued shares of any corporation in the Group under option.

## Shareholder Vote at the Annual General Meeting

The 2021 Directors' Remuneration Report will once again be put to an advisory shareholder vote at the 2022 AGM.

The 2020 Directors' Remuneration Report was approved by shareholders at the Company's AGM held on 18 August 2021.

Approved and signed on behalf of the Board.

**John Woodley**

*Chairman of the Remuneration Committee*

28 June 2022

# Directors' Responsibility Statement

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We are pleased to submit this Annual Report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

- the financial statements set out on pages 29 to 32 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 2021 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 1967, Singapore Financial Reporting Standards (International) 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

**Duncan Black**  
*Chairman of the Board*

28 June 2022

**Graham Reid**  
*Chief Executive Officer*

28 June 2022



# Independent Auditor's Report to the Members of Simec Atlantis Energy Limited

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## Report on the Audit of the Financial Statements

### Disclaimer of Opinion

1. We were engaged to audit the financial statements of SIMEC Atlantis Energy Limited (the "Company") and its subsidiaries (the "Group") which comprise the statement of financial position of the Group and the Company as at 31 December 2021, the statement of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended and notes to the financial statements, including a summary of significant accounting policies.
2. We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for Disclaimer of Opinion

#### Going Concern

3. For the year ended 31 December 2021, the Group incurred a net loss after tax of £71,594,000 and for the same period had net operating cash outflows of £6,658,000. As at 31 December 2021, the Group's current liabilities (which included loans and borrowings of £4,914,000) exceeded its current assets by £7,143,000 and the Company's current liabilities exceeded its current assets by £6,285,000. These and the other matters discussed in Note 3(a) to the financial statements indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and the Company to continue as going concerns.
4. The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 3(a) to the financial statements. The validity of the going concern basis on which the financial statements are prepared is dependent on certain assumptions and the successful outcome of the Group's various efforts as disclosed in Note 3(a) to the financial statements. The assumptions are premised on future events, the outcome of which is inherently uncertain. Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence regarding the ability of the Group and the Company to pay their debts as and when they fall due. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements is appropriate.
5. If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The accompanying financial statements do not reflect these adjustments.

#### Responsibilities of Management and Directors for the Financial Statements

6. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

# Independent Auditor's Report to the Members of Simec Atlantis Energy Limited

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continued

7. 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.
8. The Directors' responsibilities include overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

9. Our responsibility is to conduct an audit of the Group's and Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence during the course of our audit to provide a basis for an audit opinion on these financial statements.
10. 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.

## **Other Matter**

11. The financial statements for the financial year ended 31 December 2020 were audited by another auditor whose report dated 30 June 2021 expressed a disclaimer opinion on those financial statements.

## **Report on Other Legal and Regulatory Requirements**

12. In view of the significance of the matter referred to in the "Basis for Disclaimer of Opinion" section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.
13. The engagement partner on the audit resulting in this independent auditor's report is Mr Christopher Bruce Johnson.

## **Moore Stephens LLP**

*Public Accountants and Chartered Accountants*

Singapore  
28 June 2022

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	5	7,511	12,234
Other income	6	1,789	1,274
		9,300	13,508
Employee benefits expense	7	(5,793)	(6,080)
Subcontractor costs		(6,562)	(7,987)
Depreciation and amortisation	11 - 13	(10,656)	(10,624)
Impairment loss on property, plant & equipment	11	(45,312)	-
Impairment loss on intangible assets	12	(7,836)	-
Other operating expenses		(4,279)	(4,349)
Share of loss of equity-accounted investees	15	(106)	-
Total operating expenses before non-recurring items		(80,544)	(29,040)
Loss on write down of current assets		(890)	-
Gain on disposal of subsidiary	14	1,502	-
Results from operating activities		(70,632)	(15,532)
Finance costs	8	(3,450)	(3,889)
<b>Loss before income tax</b>		(74,082)	(19,421)
Income tax (expense)	9	2,488	(263)
<b>Loss for the year</b>	10	(71,594)	(19,684)
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
- Exchange differences on translation of foreign operations		41	1
<b>Total comprehensive income for the year</b>		(71,553)	(19,683)
<b>Loss for the year attributable to:</b>			
Owners of the Company		(67,623)	(19,079)
Non-controlling interests		(3,971)	(605)
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		(67,582)	(19,078)
Non-controlling interests		(3,971)	(605)
<b>Loss per share:</b>			
Basic and diluted loss per share	24	(0.12)	(0.04)

The accompanying notes form an integral part of the financial statements

# Statements of Financial Position

As at 31 December 2021

	Note	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Assets</b>					
<b>Non-current asset</b>					
Property, plant and equipment	11	76,796	131,085	–	–
Intangible assets	12	4,178	15,434	153	1,307
Right of use assets	13	779	1,739	–	–
Investments in subsidiaries	14	–	–	19,096	64,040
Investment in joint venture	15	405	511	–	–
Loans receivable	16	592	–	592	12,294
Trade and other receivables	17	–	–	–	49,893
		82,750	148,769	19,841	127,534
<b>Current Assets</b>					
Trade and other receivables	17	1,348	3,216	111	137
Inventory	18	–	861	–	–
Cash and cash equivalents	19	3,771	5,814	2,444	732
		5,119	9,891	2,555	869
<b>Total Assets</b>		87,869	158,660	22,396	128,403
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	20	201,496	195,375	201,496	195,375
Capital reserve	21	12,665	12,665	–	–
Translation reserve	22	7,121	7,080	(227)	(227)
Share option reserve	23	576	787	576	787
Accumulated losses		(206,910)	(139,841)	(188,712)	(80,238)
Total equity attributable to owners of the Company		14,948	76,066	13,133	115,697
Non-controlling interests	14	1,739	5,710	–	–
		16,687	81,776	13,133	115,697
<b>LIABILITIES</b>					
<b>Non-current Liabilities</b>					
Lease liabilities	13	697	1,350	–	–
Provisions	25	13,546	14,879	–	–
Loans and borrowings	26	43,906	43,041	423	408
Deferred tax liabilities	27	771	3,582	–	–
		58,920	62,852	423	408
<b>Current Liabilities</b>					
Lease liabilities	13	62	327	–	–
Provisions	25	172	162	30	94
Loans and borrowings	26	4,914	5,488	95	1,833
Trade and other payables	28	7,114	8,055	8,715	10,371
		12,262	14,032	8,840	12,298
<b>Total Liabilities</b>		71,182	76,884	9,263	12,706
<b>Total Equity and Liabilities</b>		87,869	158,660	22,396	128,403

The accompanying notes form an integral part of the financial statements

# Statements of Changes in Equity

For the financial year ended 31 December 2021

	Note	Share capital £'000	Capital reserve £'000	Translation reserve £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interest £'000	Total £'000
<b>Group</b>									
<b>At 1 January 2021</b>		195,375	12,665	7,080	787	(139,841)	76,066	5,710	81,776
Loss for the financial year		-	-	-	-	(67,623)	(67,623)	(3,971)	(71,594)
Other comprehensive income		-	-	41	-	-	41	-	41
Total comprehensive income for the financial year		-	-	41	-	(67,623)	(67,582)	(3,971)	(71,553)
Transactions with owners, recognised directly in equity									
Issue of ordinary shares, net of issue costs	20	6,121	-	-	-	-	6,121	-	6,121
Recognition of share-based payments	23	-	-	-	343	-	343	-	343
Transfer between reserves	23	-	-	-	(554)	554	-	-	-
Total transactions with owners		6,121	-	-	(211)	554	6,464	-	6,464
<b>At 31 December 2021</b>		201,496	12,665	7,121	576	(206,910)	14,948	1,739	16,687
<b>At 1 January 2020</b>									
Loss for the financial year		-	-	-	-	(19,079)	(19,079)	(605)	(19,684)
Other comprehensive income		-	-	1	-	-	1	-	1
Total comprehensive income for the financial year		-	-	1	-	(19,079)	(19,078)	(605)	(19,683)
Transactions with owners, recognised directly in equity									
Issue of ordinary shares, net of issue costs	20	7,357	-	-	-	-	7,357	-	7,357
Recognition of share-based payments	23	-	-	-	71	-	71	-	71
Transfer between reserves	23	-	-	-	(24)	24	-	-	-
Total transactions with owners		7,357	-	-	47	24	7,428	-	7,428
<b>At 31 December 2020</b>		195,375	12,665	7,080	787	(139,841)	76,066	5,710	81,776

	Note	Share capital £'000	Translation reserve £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000
<b>Company</b>						
<b>At 1 January 2021</b>		195,375	(227)	787	(80,238)	115,697
Loss for the financial year		-	-	-	(109,029)	(109,029)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	(109,029)	(109,029)
Transactions with owners, recognised directly in equity						
Issue of ordinary shares, net of issue costs	20	6,121	-	-	-	6,121
Recognition of share-based payments	23	-	-	344	-	344
Transfer between reserves	23	-	-	(555)	555	-
Total transactions with owners		6,122	-	(211)	555	6,465
<b>At 31 December 2021</b>		201,496	(227)	576	(188,712)	13,133
<b>At 1 January 2020</b>						
Loss for the financial year		-	(227)	740	(75,833)	112,698
Other comprehensive income		-	-	-	(4,429)	(4,429)
Total comprehensive income for the financial year		-	-	-	(4,429)	(4,429)
Transactions with owners, recognised directly in equity						
Issue of ordinary shares, net of issue costs	20	7,357	-	-	-	7,357
Recognition of share-based payments	23	-	-	71	-	71
Transfer between reserves	23	-	-	(24)	24	-
Total transactions with owners		7,357	-	47	24	7,428
<b>At 31 December 2020</b>		195,375	(227)	787	(80,238)	115,697

The accompanying notes form an integral part of the financial statements

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Cash Flows from Operating Activities</b>			
Loss before income tax		(74,082)	(19,421)
Adjustments for:			
Grants income	6	(402)	(274)
Depreciation of property, plant and equipment	11,13	8,972	8,980
Amortisation of intangible assets	12	1,684	1,644
Interest income	6	–	(3)
Finance costs	8	3,450	3,889
Share-based payments	7	343	71
Impairment loss on property, plant & equipment	11	45,312	–
Impairment loss on intangible assets	12	7,836	–
Movement in provisions	25	223	187
Loss on write down of current assets		890	–
Gain on sale of subsidiary	14	(1,502)	–
Share of loss of joint venture	15	106	–
Net foreign exchange		194	289
Operating cash flow before working capital changes		(6,976)	(4,638)
Changes in working capital:			
Movements in trade and other receivables		1,169	584
Movements in trade and other payables		(851)	(1,878)
<b>Net cash used in operating activities</b>		(6,658)	(5,932)
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(1,542)	(5,027)
Disposal of fixed assets		(21)	–
Proceeds from grants received		296	1,629
Investment in joint venture	15	–	(464)
Loan to joint venture	16	(544)	–
Net cash from disposal of subsidiary	14	3,104	–
<b>Net cash generated from/ (used in) investing activities</b>		1,293	(3,862)
<b>Cash Flows from Financing Activities</b>			
Proceeds from grants received		402	274
Proceeds from issue of shares	20	2,600	11,530
Share issuance cost	20	(203)	(323)
Proceed from borrowings	26	2,000	3,056
Repayment of borrowings	26	(55)	(1,753)
Loan to related party	16	(258)	–
Interest paid	26	(1,096)	(1,099)
Payment of lease liabilities	13	(214)	(464)
Deposits released/(pledged)	19	732	(580)
<b>Net cash generated from financing activities</b>		3,908	10,641
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,457)	847
<b>Cash and cash equivalents at the beginning of the financial year</b>		4,315	3,602
Effect of foreign exchange rates on the balance of cash held in foreign currencies		146	(134)
<b>Cash and cash equivalents at the end of the financial year</b>	19	3,004	4,315

The accompanying notes form an integral part of the financial statements

# Notes to the Financial Statements

For the financial year ended 31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

## 1 General

SIMEC Atlantis Energy Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is Level 4, 21 Merchant Road, #04-01, Singapore 058267. The principal place of business is 26 Dublin Street, Edinburgh, EH3 6NN, 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 14 to the financial statements.

The financial statements of the Group as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

## 2 Application of International Financial Reporting Standards ("IFRSs")

### (a) Application of new and revised IFRSs

On 1 January 2021, the Group adopted the new or amended IFRSs that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

The adoption of these new or amended IFRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial year.

### (b) IFRSs issued but not yet effective

At the date of authorisation of these financial statements, the following standards have been issued and are relevant to the Group and Company but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to IFRS 16: <i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to:	
● IFRS 3: <i>Business Combinations (Reference to the Conceptual Framework)</i>	1 January 2022
● IAS 16: <i>Property, Plant and Equipment (Proceeds before Intended Use)</i>	
● IAS 37: <i>Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract)</i>	
Annual Improvements to IFRS Standards 2018-2020	
Amendments to:	
● IAS 1: <i>Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)</i>	1 January 2023
● IAS 1: <i>Presentation of Financial Statements and SFRS(I) Practice Statement 2 (Disclosure of Accounting Policies)</i>	
● IAS 8: <i>Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)</i>	
● IFRS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	

The Directors do not expect that the adoption of these new and revised standards above will have a material impact on the financial statements in the period of initial application.



# Notes to the Financial Statements

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continued

## 3 Summary of significant accounting policies

### (a) Going concern

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

The Board of Directors is required to state whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties as to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. The period of management's going concern assessment is the period to 31 August 2023.

The Board of Directors has undertaken the assessment of the going concern assumptions using financial forecasts for the period to 31 August 2023. Due to the development stage of the business with relatively modest cashflow from operations, in the event that one or more of the Group's already contracted projects does not achieve completion as anticipated, the Company may require external financing during 2022.

In line with previous practice, the Company funds its short and medium-term funding requirements through a combination of equity and debt. Details of the Group's loans and borrowings at year end can be found in Note 26 of the financial statements. During the current financial year, the Company terminated the share placement with New Technology Capital Group LLC. All outstanding debt under this arrangement was settled via the issue of new equity as required under the terms of the agreement. As at the 31 December 2021 there were no undrawn loan facilities.

### **Going concern assessment**

Management has prepared a forecast through to 31 August 2023 based on contractually committed revenues and costs, an estimate of additional costs required and the income and costs arising from development projects that are expected to be delivered within the forecast period. The forecast has been subject to stress testing.

The Directors consider, following their review of the financial projections, the following matters to be material uncertainties during the going concern period:

- Delivery of a Battery Energy Storage System (BESS) project at the Uskmouth site during the period. The Group has entered into an option agreement with Energy Optimisation Solutions for a BESS project. Under the terms of the arrangement, the Group will receive a development premium of £10 million plus index linked rental payments under a 30-year lease agreement for land at the site. These cashflows will provide the funds to repay debt obligations falling due in the year and provide the necessary funding for future operating costs and project development expenditure. The Group will have insufficient liquidity without raising further funding during the going concern period if the project does not reach financial close.
- Repayment of the Abundance bond principals falling due in June 2022 and March 2023. During the going concern period, £4.9 million of Abundance Bonds are repayable in March 2023 with a further £4.9m repayable in June 2023. Management has been in dialogue with Abundance since the beginning of 2022 in relation to the deferral of principal and interest payment due in relation to the Abundance Bonds in order to allow sufficient time for income to be delivered from the BESS project. For one of the Abundance bonds that was originally due for repayment in June 2022, the bond holders agreed on 9 June 2022 to accept a deferral of 12 months for the repayment of the principal (to June 2023) and for a delay of 3 months on the interest payable for that bond falling due on that date. The Company has formally requested a 3-month delay on the interest payments falling due on the Atlantis Future Energy debentures on 30 June 2022. The remaining two bonds will mature in March 2023 and September 2024. The Company may either seek to extend the repayment date of these bonds or repay the bonds, either through a refinancing with new debt, from additional cashflows from the business, or by raising further equity. Failure to repay the principal repayments on these bonds would put the Group in a position where it would default on the bonds.

# Notes to the Financial Statements

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continued

- Timing of the potential repayment of EU grant funding. As at the date of these accounts, the Group is in discussion with the EU funding authority over the potential clawback of an amount of €3.9 million (£3.4 million) relating to a grant received and which the EU has notified the Group may be subject to clawback. The Board and management are of the view that there are grounds for disputing any clawback of this grant and the Company has evidence to support this position. Discussions with the EU in this regard are continuing however the outcome is not fully within the control of management and as such an uncertainty remains over whether these amounts will be required to be repaid. Whilst the Board and management are of the view that if any clawback were to be payable that a reasonable payment plan could be agreed with the EU, if the EU monies were to be required to be repaid in full in the going concern period, this could lead to a €3.9m (£3.4m) reduction in liquidity in the going concern period.

## **Mitigating actions**

In the event that cashflows are limited due to delays in the BESS project, failure to agree debt repayment deferrals with Abundance or refinance the bonds, or a requirement to repay the EU grant funding coupled with then a failure to agree an appropriate repayment plan with the EU, controllable mitigating actions such as reducing the Group's cost base, suspension of Directors fees, and taking the full benefit of payment terms with suppliers would be available but would likely be insufficient to remove the material uncertainties in relation to going concern. In such a situation, the Company could seek to raise further equity given its listing on AIM, for which it has a demonstrated successful track record and a supportive shareholder base.

## **Material uncertainties related to going concern**

After reviewing the current liquidity position, financial forecasts and stress testing of risks and based on the current funding facilities outlined and considerations noted above, the Board has a reasonable expectation that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future, which is the period to 30 June 2023. As a result, the Board continues to adopt the going concern basis of accounting in preparing the Company's and Group's financial statements.

The Board has, however, identified material uncertainties arising that may cast doubt upon the Company and Group's ability to continue as a going concern, which are described on pages 34 and 35 above and are summarised as follows:

- Successful development of a BESS project at the Uskmouth site during the going concern review period;
- The possible need to agree deferral of debt repayments due in March 23 with Abundance bond holders if the Company is unsuccessful in refinancing or otherwise repaying the bonds; and
- Any requirement for the repayment of EU grant funding and the timing thereof

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

## **(b) Basis of preparation**

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

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

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

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

# Notes to the Financial Statements

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continued

## **(c) 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 prevailing 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.

## **(d) Basis of consolidation**

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

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

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

## **(e) Business combination**

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments* is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

# Notes to the Financial Statements

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continued

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

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

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

## **Goodwill**

The Group measures goodwill at the acquisition date as:

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

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

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

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

## **Investment in joint venture (equity-accounted investee)**

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

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interest that forms part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee. If the equity-accounted investee subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

# Notes to the Financial Statements

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continued

## **(f) 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 fair value through profit and loss, which are initially measured at fair value. Financial assets comprise loans and receivables.

### **Loans and receivables**

Trade and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any allowance for expected credit losses. Interest is recognised by applying the effective interest method, except for short-term receivables where the recognition of interest would be immaterial. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

### **Cash and cash equivalents**

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

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

### **Impairment of financial assets**

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

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

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).

# Notes to the Financial Statements

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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 32.

## **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 3 (o)).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as fair value through profit and loss, subsequently at the higher of the amount of the loss allowance determined in accordance with section 5.5 of IFRS 9, and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15.

### **Derecognition of financial liabilities**

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

## **(g) 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.



# Notes to the Financial Statements

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

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

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

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

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

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

## **(h) 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 (see note 12).

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



# Notes to the Financial Statements

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## **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.

### **(i) Impairment of Non-Financial Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, testing for impairment is undertaken.

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

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

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

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

### **(j) Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, discounting is applied.

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

Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

### **(k) Share-Based payments**

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

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting

# Notes to the Financial Statements

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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.

## **(l) 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.

## **(m) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, net of sales related taxes. Consulting fees and Operation and Maintenance Contracts are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Revenue from power generation sales and the associated Renewables Obligation Certificates (ROCs) are recognised based on the quantity of electricity exported and the contracted rate on the date of generation.

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

## **(n) 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.

## **(o) 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.

# Notes to the Financial Statements

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

## **(p) Finance costs and Income**

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

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

## **(q) Leases**

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

### **Group as a lessee**

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

### **Right-of-use Assets**

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

# Notes to the Financial Statements

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## **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period during which the event or condition that triggers the payment occurs.

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

## **Short-term leases and leases of low-value assets**

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

## **Group as a Lessor**

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

## **(r) 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.

## **4 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in Note 3, 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.

### **(a) Critical judgements in applying the group's accounting policies and key sources of estimation uncertainty**

In the process of applying the Group's accounting policies, which are described in Note 3, the critical accounting judgements that will have a significant effect on the amounts recognised in the financial statements and the key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### ***Recoverability of property, plant and equipment and investment in subsidiaries***

The Group tests its property, plant and equipment related to the MeyGen project and Uskmouth, annually for impairment, or more frequently if there are indicators that it might be impaired. The Company also tests its investment

# Notes to the Financial Statements

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continued

in subsidiaries for impairment where indicators of impairment exist. The recoverable amounts for the Group's property, plant and equipment and the Company's investment in subsidiaries are supported by the estimated value-in-use of these assets. The value-in-use is calculated using a net present value cash flow model which compares the costs of completing each of the respective projects, including financing costs, with expected revenues, net of operating and maintenance expenditure, over its operating life.

The key assumptions used to determine the MeyGen project's value-in-use are the expected capital costs to further 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% to 12% (2020: 8.5% to 13%). Capital and operating and maintenance costs are based upon experience gained from the development and fully operational phase of MeyGen 1A.

On 28 April 2022, the Company announced that it would no longer pursue the project to convert Uskmouth Power Station from coal to use a waste-derived fuel pellet and that it would withdraw the associated permit variation application. The Company will instead develop the Uskmouth site into a sustainable energy park, that will include as a first step the delivery of a Battery Energy Storage Project (BESS). As a result, a full review has been carried out of the expected value in use of the Uskmouth site. The value-in-use calculations are now based on the planned transition of the Uskmouth site into a sustainable energy park, which will include revenues from at least 350MW of BESS projects along with additional leases and wayleaves to allow third party grid connections. The key assumptions used to determine the Uskmouth project's value-in-use are, as applicable depending on the business model adopted, the upfront fees, 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 5% to 8%.

The recoverable amounts for the MeyGen project and for Uskmouth were determined to be less than the carrying values of both the property, plant and as a result, an impairment value has been recognised in the year (Note 11).

In testing the investment in subsidiaries for impairment, using the methodology outlined above, the value of the investments was determined to be less than their carrying value and as a result, an impairment value has been recognised in the year (Note 14).

## **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 12 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 forecasts are based on probability and risk weighted sensitised cash flow forecasts using discount rates ranging from 8% to 12%.

For the license, turbine technology and intellectual property cash generating unit, 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 Directors concluded that as at 31 December 2021, limited value could be ascribed to the Global Technology Licence and to Development Costs. As a result, both of these assets have been fully impaired (Note 12).

# Notes to the Financial Statements

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## **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 discount rate that reflects current market assessment of the time value of money and risk specific to the liability as set out in the summary of significant accounting policies 3(j) on page 41. The unwinding of the discount is recognised as a finance cost.

The Uskmouth Power Station decommissioning provision is the present value of the best estimate of direct costs that may be incurred to restore the site of the Uskmouth Power Station to a condition that complies with applicable legislation, which is anticipated to take place in approximately 2042. The provision was recognised on acquisition of the Uskmouth Power Station in 2018 and conversion of the financial statements to IFRS.

## 5 Revenue

	Group	
	2021 £'000	2020 £'000
Consulting fees recognised over the year	3,567	6,553
Operation and Maintenance Contracts	2,316	2,487
Power sales	1,628	3,194
	7,511	12,234

Consulting fees were earned on the Japan tidal turbine contract delivered by the Company's subsidiary, Atlantis Operations UK Limited. Power sales are for MeyGen Phase 1A and includes the associated revenue from renewable obligation certificates ("ROCs").

## 6 Other income

	Group	
	2021 £'000	2020 £'000
Interest income	–	3
Grant income	402	274
Other income	1,072	857
Insurance proceeds	315	140
	1,789	1,274

Other income relates to research and development expenditure credits and charges of shared costs to third parties.

## 7 Employee benefits

The average number of employees (including Executive Directors) was:

	Group	
	2021 £'000	2020 £'000
Average number of employees (including Executive Directors)	81	96

# Notes to the Financial Statements

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Their aggregate remuneration comprised:

	Group	
	2021 £'000	2020 £'000
Wages, salaries and other short-term benefits	4,482	4,762
Social security costs	419	585
Share-based payments (Note 23)	343	71
Contributions to defined contribution plan	476	559
Other related costs	73	103
	5,793	6,080

During 2021, the Group received £0.06 million (2020 - £0.4 million) under the UK government COVID-19 furlough scheme.

## 8 Finance costs

	Group	
	2021 £'000	2020 £'000
Interest expense arising from:		
- loans from a related party	294	311
- long term loans	292	308
- secured long term loans	1,302	1,310
- long term debentures	1,096	1,099
- lease liabilities	94	119
Unwinding of discount on decommissioning provision	107	195
Other finance costs	265	547
	3,450	3,889

## 9 Tax expense

	Group	
	2021 £'000	2020 £'000
Tax Expense	2,488	(263)

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% (2020: 19%). As a result of the Finance Bill 2021 the future tax rate in the United Kingdom is set to increase to 25% from 1 April 2023.

Singapore domestic income tax is calculated at 17% (2020: 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



# Notes to the Financial Statements

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	Group	
	2021 £'000	2020 £'000
Reconciliation of effective tax rate		
Loss before tax	(74,082)	(19,421)
Tax at the domestic rates		
applicable to losses in the country concerned	(14,076)	(3,552)
Non-allowable items at rates concerned	12,351	1,921
Non-taxable income at rates concerned	(66)	(35)
Tax effect of deferred tax asset not recognised	1,795	1,666
Tax effect of unwinding deferred tax	196	156
Tax effect of asset impairment on deferred tax	3,310	–
Income tax payable	–	(25)
Tax effect of rate change on deferred tax (Note 27)	(1,022)	(394)
	2,488	(263)

At the end of the reporting period, the Group has unutilised tax losses of £171.3 million (2020: £166.1 million) available for offset against future profits. The amount of the Company's unutilised tax losses available for offset against future profits is £31.3 million (2020: £30.7 million). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Included in the Group and Company losses are £27.3 million (2020: £27.3 million) of losses relating to Singapore corporation tax, which will only be utilised against taxable income realised in Singapore.

## 10 Loss for the Year

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

	Group	
	2021 £'000	2020 £'000
Depreciation of property, plant and equipment	8,734	8,628
Depreciation of right-of-use assets	238	352
Amortisation of intangible assets	1,684	1,644
Impairment of property, plant and equipment	45,312	–
Impairment of intangible assets	7,836	–
Auditor's remuneration:		
- Audit and audit related fees	186	333
Share-based payments	344	71
Operating lease expenses	–	6
Net foreign exchange losses	191	289

# Notes to the Financial Statements

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## 11 Property, plant and equipment

	Freehold land £'000	Leasehold improvements £'000	Property, plant and equipment £'000	Furniture, fixture and equipment £'000	Motor vehicles £'000	Computer equipment and software £'000	Power plant £'000	Total £'000
<b>Group</b>								
Cost								
At 1 January 2020	20	87	67,916	133	55	81	82,819	151,111
Additions	–	–	2,996	6	22	5	1,998	5,027
Reimbursed by grants	–	–	(1,629)	–	–	–	–	(1,629)
At 31 December 2020	20	87	69,283	139	77	86	84,817	154,509
Additions	–	–	(139)	–	–	3	241	105
Disposals	–	(87)	(25)	(122)	(77)	(2)	–	(313)
Reimbursed by grants	–	–	(296)	–	–	–	–	(296)
At 31 December 2021	20	–	68,823	17	–	87	85,058	154,005
Accumulated depreciation								
At 1 January 2020	–	24	5,538	107	18	40	9,069	14,796
Depreciation for the year	–	9	2,693	19	13	17	5,877	8,628
At 31 December 2020	–	33	8,231	126	31	57	14,946	23,424
Depreciation for the year	–	54	2,775	2	10	17	5,876	8,734
Disposal	–	(87)	(20)	(111)	(41)	(2)	–	(261)
Impairment loss	–	–	13,236	–	–	–	32,076	45,312
At 31 December 2021	–	–	24,222	17	–	72	52,898	77,209
Net book value								
At 31 December 2020	20	54	61,052	13	46	29	69,871	131,085
At 31 December 2021	20	–	44,601	–	–	15	32,160	76,796

### (a) Plant, property and equipment

In 2020, MeyGen was awarded £1.545 million from the Scottish Government's Saltire Tidal Energy Challenge Fund and £0.1 million from Highlands and Islands Enterprise to develop and install a subsea tidal turbine connection hub. Prior to the 2020 award, aggregate grants of £13.3 million, comprising a £10 million grant from the United Kingdom's Department of Energy and Climate Change, and two grants from Scotland's Highlands and Islands Enterprise totalling £3.3 million, were awarded to MeyGen in August 2014. Grants received where the conditions attached to them have been complied with were recorded as a deduction from the carrying amount of the project-under-construction in accordance with the accounting policy stated in Note 3. As disclosed in Note 4, a value-in-use calculation is undertaken each year to determine the need for impairment of the asset. An impairment of £13.2 million has been recognised in the current year, reflecting operational difficulties with the turbines during 2021 and a cautious approach to the pace of future development of the Meygen site.

### (b) Power plant

As disclosed in Note 4, a value-in-use calculation is undertaken each year to determine the need for impairment of the asset. As a result of the decision in April 2022 by the Board to withdraw from the Uskmouth Power Station conversion project, the value-in-use calculation has been carried out based on the development of Uskmouth as a sustainable energy park with revenue streams from BESS projects and leases and wayleaves for third party access to connect to the National Grid. As a result of this change, an impairment charge of £32.1 million has been recognised in the year.

### (c) Security

At 31 December 2021, assets of subsidiaries with carrying amounts of £76.8 million (2020: £60.5 million) were pledged as security on long term loans (Note 26).

# Notes to the Financial Statements

continued

## 12 Intangible assets

	Global technology licence £'000	Intellectual property £'000	Development costs £'000	Tidal data £'000	Customer contracts £'000	Total £'000
<b>Group</b>						
Cost						
At 1 January 2020	8,223	3,133	15,987	1,465	1,938	30,746
Exchanges differences	–	–	55	–	–	55
At 31 December 2020	8,223	3,133	16,042	1,465	1,938	30,801
Disposal	–	–	–	–	(1,938)	(1,938)
Exchanges differences	–	–	(46)	–	–	(46)
At 31 December 2021	8,223	3,133	15,996	1,465	–	28,817
Accumulated depreciation						
At 1 January 2020	4,769	344	8,575	–	–	13,688
Amortisation for the year	495	38	997	–	114	1,644
Exchange differences	–	–	35	–	–	35
At 31 December 2020	5,264	382	9,607	–	114	15,367
Amortisation for the year	493	38	1,048	–	105	1,684
Disposal	–	–	–	–	(219)	(219)
Impairment loss	2,466	–	5,370	–	–	7,836
Exchanges differences	–	–	(29)	–	–	(29)
At 31 December 2021	8,223	420	15,996	–	–	24,639
Net book value						
At 31 December 2020	2,959	2,751	6,435	1,465	1,824	15,434
At 31 December 2021	–	2,713	–	1,465	–	4,178
			Intellectual property £'000	Development costs £'000		Total £'000
<b>Company</b>						
Cost						
At 1 January 2020, 31 December 2020 and 31 December 2021			573	3,347		3,920
Accumulated depreciation						
At 1 January 2020			344	2,008		2,352
Amortisation for the year			38	223		261
At 31 December 2020			382	2,231		2,613
Amortisation for the year			38	223		261
Impairment loss			–	893		893
At 31 December 2021			420	3,347		3,767
Net book value						
At 31 December 2020			191	1,116		1,307
At 31 December 2021			153	–		153

### (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 Directors have reviewed the future cashflows expected to arise from the Global Technology Licence and have concluded that a full impairment of the asset should be recognised in the year.

# Notes to the Financial Statements

continued

## (b) Intellectual property

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

The Group estimated that the intellectual property costs have a useful life of approximately 15 years with approximately 11 years remaining.

## (c) Development costs

Development costs include expenditure relating to designing activities for the production of new or substantially improved tidal turbine products and processes.

The Directors have reviewed the future cashflows expected to arise as a result of these tidal turbine related development costs and have concluded that a full impairment of the asset should be recognised in the year.

## (d) 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 final commissioning of the project.

## (e) Customer contracts

Customer contracts relates to the fair value of customer contracts recognised on acquisition of GHR SIMEC Ltd. ("GHR") in October 2019. GHR was disposed during the year and as a result the intangible asset was derecognised at the point of disposal.

## 13 Leases

### As a lessee

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

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

	Land and buildings £'000	Office equipment £'000	Total £'000
Group			
At 1 January 2020	1,429	7	1,436
Additions	642	–	642
Depreciation expense	(345)	(7)	(352)
RPI rate change	13	–	13
At 31 December 2020	1,739	–	1,739
Depreciation expense	(238)	–	(238)
Adjustments	79	–	79
Disposals	(801)	–	(801)
At 31 December 2021	779	–	779

# Notes to the Financial Statements

continued

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

	Group	
	2021 £'000	2020 £'000
At 1 January	1,677	1,367
Additions	–	599
Accretion of interest	94	119
Payments	(214)	(421)
Adjustments	39	–
Disposals	(837)	13
At 31 December	759	1,677
Current	62	327
Non-current	697	759
	759	1,677

The maturity analysis of lease liabilities is disclosed in Note 32(b).

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

	Group	
	2021 £'000	2020 £'000
Depreciation expense of right-of-use assets	238	352
Interest expense on lease liabilities	94	119
Expense relating to lease of low value assets (included in other operating expenses)	4	4
Variable lease payments (included in other operating expenses)	2	2
At 31 December	338	477

The Group had total cash outflows for leases of £0.2 million (2020: £0.5 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £nil (2020: £0.6 million).

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

	Group	
	2021 £'000	2020 £'000
Fixed rent	12	12
Variable payment	2	2
	14	14

Overall, the variable payments constitute 1% (2020: 1%) of the Group's entire lease payments. The variable lease payments depend on generation, and whilst the Group expects the ratio to remain constant in future years, a 5% increase in variable payments would result in a £1,000 increase to lease payments.

# Notes to the Financial Statements

continued

## As a lessor

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

	Group	
	2021 £'000	2020 £'000
Within one year	–	–
Between two and five years	–	–
More than five years	96	97
	96	97

One of the subsidiaries of the Group, SIMEC Uskmouth Power Limited ("SUP"), leases excess land available at the Uskmouth Power Station site to a related party, SIMEC Power 4 Limited. The lease is agreed on a 999-year basis and includes a lease premium of £1.5 million, which is recognised in advanced receipts (Note 28).

## 14 Investments in subsidiaries

	Company	
	2021 £'000	2020 £'000
Unquoted equity shares, at cost	63,337	64,040
Less: Impairment loss	(44,241)	–
	19,096	64,040

Details of the subsidiaries are as follows:

Name of Subsidiaries	Principal activities	Country of incorporation/ registration and operation	Effective equity interest held by the Company	
			2021 %	2020 %
<b>Held by the Company</b>				
Atlantis Turbines Pte. Limited <sup>(3)</sup>	Investment holding	Singapore	100	100
Atlantis Projects Pte. Ltd. <sup>(3)</sup>	Investment holding	Singapore	100	100
Atlantis Resources (Gujarat Tidal) Pte Limited <sup>(1)(6)</sup>	Dormant	Singapore	50	50
ARC Operations Pty Limited <sup>(4)</sup>	Provision of operational services to the Group	Australia	100	100
Atlantis Resources (Scotland) Limited <sup>(5)</sup>	Provision of project management and consulting services	United Kingdom	100	100
Atlantis Ocean Energy PLC <sup>(5)</sup>	Financial services	United Kingdom	100	100
Atlantis Future Energy PLC <sup>(5)</sup>	Financial services	United Kingdom	100	100
SIMEC Uskmouth Power Limited <sup>(5)</sup>	Development of renewable energy generation project	United Kingdom	100	100
SIMEC GHR Limited	Provision of hydro development, project management and operations and maintenance services	United Kingdom	–	100

# Notes to the Financial Statements

continued

Name of Subsidiaries	Principal activities	Country of incorporation/ registration and operation	Effective equity interest held by the Company	
			2021 %	2020 %
<b>Held by</b>				
<b>Atlantis Projects Pte. Ltd,</b>				
Tidal Power Scotland Limited <sup>(5)</sup>	Investment holding	United Kingdom	92	92
Stroma Tidal Power Limited <sup>(5)</sup>	Development of tidal power generation project	United Kingdom	100	100
Wide Range Developments <sup>(5)</sup> Limited	Investment Holding	United Kingdom	100	100
<b>Held by</b>				
<b>Tidal Power Scotland Limited</b>				
MeyGen Holdings Limited <sup>(5)</sup>	Investment holding	United Kingdom	83	83
Islay Holding Limited <sup>(5)(7)</sup>	Investment holding	United Kingdom	100	100
Duncansby Tidal Power Limited <sup>(5)</sup>	Dormant	United Kingdom	100	100
<b>Held by</b>				
<b>MeyGen Holdings Limited</b>				
MeyGen PLC <sup>(2)(5)</sup>	Development of tidal power generation project	United Kingdom	100	100
<b>Held by</b>				
<b>Islay Holding Limited</b>				
Islay Tidal Power Limited <sup>(5)(7)</sup>	Development of tidal power generation project	United Kingdom	100	100
<b>Held by</b>				
<b>Atlantis Turbines Pte Limited</b>				
Atlantis Operations (UK) Limited <sup>(5)</sup>	Provision of operational services to the Group	United Kingdom	100	100
Marine Current Turbines Limited <sup>(5)</sup>	Development of turbines and projects	United Kingdom	100	100
<b>Held by</b>				
<b>Atlantis Operations (UK) Limited</b>				
Atlantis Operations Japan Good Kaisha <sup>(4)</sup>	Provision of operational services to the Group	United Kingdom	100	100
<b>Held by</b>				
<b>Marine Current Turbines Limited</b>				
Sea Generation Limited <sup>(5)</sup>	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 2021 and 31 December 2020, shares in MeyGen PLC were pledged as security on long term loans (see Note 26).

(3) Audited by Moore Stephens LLP, Singapore.

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

(5) Audited by Kreston Reeves LLP, United Kingdom.

(6) The Company has control over the entity through shareholder voting rights

(7) On 31 March 2021, Tidal Power Scotland Limited signed heads of terms to sell Islay Holdings Limited and its subsidiary Islay Tidal Power Limited. Neither entity is material to the Group.



# Notes to the Financial Statements

continued

## (a) Impairment in investment in subsidiaries

The Directors reviewed the value of the investments in subsidiaries held by the Company at year end and concluded that the following investment carrying values should be impaired in full:

Investment in Atlantis Resources (Scotland) Limited	£0.252m
Investment in Atlantis Turbines Private Limited	£4.255m
Investment in Marine Current Turbines Limited	£0.105m

In addition, the investment in SIMEC Uskmouth Power Limited was impaired by £39.6m, reducing the investment carrying value to £18.1 million.

## (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"), SIMEC Uskmouth Power Limited ("SUP") and Atlantis Operations (UK) Limited ("AOU") resulted in an increase to the deemed investments by the Company in those subsidiaries totalling £343,890 (2020: £65,000).

## (c) Non-Controlling interest in subsidiaries

### Tidal Power Scotland Limited ("TPSL")

As at 31 December 2021, Scottish Power Renewables ("SPR") has an equity investment of 6% of the shareholding in TPSL.

The Group retains a 92% (2020: 92%) shareholding of TPSL.

### MeyGen Holdings Limited ("MGHL")

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

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

	Group	
	2021 £'000	2020 £'000
NCI percentage	23.22%	23.22%
Non-current assets	46,864	61,158
Current assets	1,698	3,615
Non-current liabilities	(38,685)	(37,770)
Current liabilities	(2,387)	(2,419)
Net assets	7,491	24,584
Net assets attributable to NCI	1,739	5,710
Cash flows from/(used in) operating activities	(1,363)	1,697
Cash flows used in investing activities	296	(901)
Cash flows used in financing activities	(60)	(497)
Net decrease in cash and cash equivalents	(1,127)	299
Loss for the year	(17,093)	(2,603)
Total comprehensive income	(17,093)	(2,603)
Attributable to NCI:		
Loss for the year	(3,971)	(605)
Total comprehensive income	(3,971)	(605)

# Notes to the Financial Statements

continued

## (d) Disposal of SIMEC GHR Limited (GHR)

On 13 December 2021 the Group disposed of its entire shareholding in GHR, a company that provided hydro development, project management and operations and maintenance services, for a cash consideration of £3.6 million. The Group recognised a gain on disposal of £1.5 million as a non-recurring item in the consolidated income statement. Following the disposal, GHR ceased to be a subsidiary of the Group.

The following table summarises the carrying amount of the major classes of identifiable assets and liabilities disposed:

	<b>£'000</b>
Cash and cash equivalents	480
Property, plant and equipment	107
Other receivables	502
Other payables and liabilities	(399)
Net assets disposed	690
Net fair value adjustments disposed	1,392
Gain on disposal of a subsidiary	1,502
Total consideration from disposal of a subsidiary	3,584
Less: Cash and cash equivalents from disposed subsidiary	(480)
Net cash inflow on disposal of a subsidiary	3,104

## 15 Investment in joint venture

	<b>Group</b>	
	<b>2021 £'000</b>	<b>2020 £'000</b>
Investment in joint venture, at cost	511	511
Share of post-acquisition results	(106)	–
	405	511

The detail of the Company's equity interests in joint ventures is as follows:

<b>Name of joint venture</b>	<b>Principal activities</b>	<b>Country of incorporation/ registration and operation</b>	<b>Effective equity interest held by the Company</b>	
			<b>2021 %</b>	<b>2020 %</b>
NPA Fuels Ltd <sup>(1)</sup>	Marketing, production and delivery of waste derived fuel pellets	United Kingdom	50	50
Normandie Hydroliennes <sup>(2)</sup>	Development of tidal power generation project	France	51	51

(1) Audited by Kreston Reeves LLP, United Kingdom.

(2) Not required to be audited by law in its company of incorporation

The summarised financial information for the jointly controlled entities as set out below is not adjusted for the percentage of ownership held by the Company.

# Notes to the Financial Statements

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	NPA Fuels Ltd		Normandie Hydroliennes		Group	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Assets and liabilities:</b>						
Non-current assets	–	–	–	–		
Current assets	5	8	411	81		
Total assets	5	–	411	81		
Non-current liabilities	(161)	(47)	(474)	–		
Current liabilities	(2)	–	–	–		
Total liabilities	(163)	(47)	(474)	–		
Net (liabilities)/assets	(158)	(39)	(63)	81		
Group's share of joint venture's net (liabilities)/ assets	(79)	(19)	(32)	41		
Other adjustments						
Carrying amount of the investment as at 31 December					405	511
<b>Results</b>						
Revenue	–	–	392	–		
Profit for the year	(117)	(39)	(142)	(21)		
Group's share of joint ventures' profit for the year	(59)	(19)	(72)	(11)		

## (a) NPA Fuels Ltd

In the prior reporting period, on 22 December 2020, Atlantis Projects Pte. Ltd., a subsidiary of the Group, entered into a Joint Venture agreement with N&P Holdings 2, a subsidiary of N+P Group, to create NPA Fuels Ltd ("NPA") a company domiciled in the UK. Each partner has a 50% interest in the joint venture. The purpose of the joint venture is to principally be involved in the marketing, production and delivery of waste derived fuel pellets to convert coal fired power stations throughout the UK. The initial cost of investment is £463,981.

The Group's interest in NPA is accounted for using the equity method in the consolidated financial statements due to the terms of the joint venture agreement. In 2021, the Group's share of NPA's loss for the year totalling £58,935 has been recognised (2020: nil) reducing the value of investment as at 31 December 2021 to £405,047. In addition, as at 31 December 2021, the Group has a loan receivable from NPA of £61,632 (2020: nil) which has been provided against in full. The financial statements of NPA are prepared under IFRS in GBP.

## (b) Normandie hydroliennes

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

The Group has a 51% interest in NH resulting from €76,000 investment in the share capital of the joint venture. The Group's interest in NH is accounted for using the equity method in the consolidated financial statements due to the terms of the joint venture agreement. This resulted in a loss of £46,766 on equity accounted investee in 2021 (2020: £nil). As a result of the recognition of losses to date, the value of investment at 31 December 2021 is £nil. During 2021, Wide Range Developments Ltd, a subsidiary of the Group, entered into a facility agreement to provide Normandie Hydroliennes with funding of up to €1.2 million to support development activities at the Raz Blanchard site. As at 31 December 2021, £483,309 of funding has been made available. A provision of £149,908 has been made against the recoverability of this loan. Financial statements of Normandie Hydroliennes are prepared under IFRS in Euros. The financial statements have been translated into GBP in line with the Group foreign currencies policy in Note 3(c).

# Notes to the Financial Statements

continued

## 16 Loans receivable

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loans to subsidiaries				
- Interest bearing (a)	–	–	1,283	1,219
- Non-interest bearing (b)	–	–	11,075	11,075
Less: provision for impairment	–	–	(12,358)	–
Loans to joint ventures	545	–	545	–
Less: Impairment loss (d)	(211)	–	(211)	–
Related Party Loan (c)	258	–	258	–
Loans receivable	592	–	592	12,294

### (a) Interest bearing

The Company has provided a loan to MeyGen PLC which is interest-bearing with an interest rate of 12-month LIBOR plus 5% per annum, unsecured and repayable in February 2030. The Company has provided in full against the potential non-repayment of this loan.

### (b) Non-interest bearing

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 and has provided in full against the potential non-repayment of this loan.

### (c) Related party loan

In 2021, the Company extended a loan to a former employee of its subsidiary Green Highland Renewables. The loan is unsecured, interest free and repayable in December 2026.

### (d) Loans to joint ventures

As disclosed in Note 15, the Company has extended a loan of £61,632 to NPA. The loan is interest bearing at a fixed rate of 10% per annum, is unsecured and the repayment is subject to the distribution arrangements in the joint venture agreement. The loan has been impaired in full.

The Company has extended a loan of £483,309 to Normandie Hydroliennes (Note 15). The loan is interest bearing at a fixed rate of 2% per annum, is unsecured and repayment can be made at the discretion of the borrower, subject to all outstanding amounts being repaid by the later of the financial close of the Raz Blanchard demonstration tidal array or 25 June 2025.

Neither of the joint venture entities (NPA and Normandie Hydroliennes) currently have sufficient forecast revenues to repay the joint venture loans in full and as a result the Company has recognised an impairment in the amounts receivable.

# Notes to the Financial Statements

continued

## 17 Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables	47	1,284	–	–
Deposits	52	178	3	3
Accrued revenue	417	684	–	–
Other receivables	391	760	–	–
Amounts due from a related party	–	–	–	–
Non-trade receivables due from subsidiaries	–	–	71,687	67,474
Less:				
Impairment loss	–	(390)	(71,687)	(17,580)
Financial assets				
at amortised cost under IFRS 9	907	2,516	3	49,897
Prepayments	432	700	93	84
Value added tax recoverable	9	–	15	49
	1,348	3,216	111	50,030
Non-current	–	–	–	49,893
Current	1,348	3,216	111	137
	1,348	3,216	111	50,030

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 impairment loss of £71.7 million (2020: £17.6 million) in relation to balances receivable from subsidiaries as recovery of the amounts due is not considered probable.

The Group's and the Company's exposure to credit and currency risks are as set out in Note 32.

## 18 Inventory

	Group	
	2021 £'000	2020 £'000
Inventory	–	861

Inventory acquired in 2018 as a result of the acquisition of SUP relates to spare parts and consumables. As at 31 December 2021, the Group has written down the value of the inventory held to nil.

# Notes to the Financial Statements

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## 19 Cash and cash equivalents

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash at bank	3,004	4,313	2,444	732
Fixed deposits	767	1,499	–	–
Cash on hand	–	2	–	–
Cash and cash equivalents in the statements of financial position	3,771	5,814	2,444	732
Less: Encumbered deposits	(767)	(1,499)	–	–
Cash and cash equivalents in the statement of cash flows	3,004	4,315	2,444	732

The encumbered deposits serve as collateral on behalf of MeyGen PLC and Atlantis Operations (UK) Limited. MeyGen's deposit supports the provision of bank guarantees and standby letters of credit as required under the terms of MeyGen's seabed lease and to secure the MeyGen project's electricity transmission capacity. Atlantis Operations (UK) Limited's deposit supports the provision of bank guarantees in relation to grant guarantees. The Group's exposure to interest rate risks is described in Note 32.

## 20 Share capital

	Group and Company			
	2021		2020	
	No. of shares with no par value '000	£'000	No. of shares with no par value '000	£'000
Issued and fully paid:				
At the beginning of the financial year	494,325	195,375	429,076	188,018
Public offerings issued for cash	104,000	2,600	62,500	7,500
Issue of shares other than cash	124,487	4,180	2,749	180
Transaction costs incurred in relation to share issuance	–	(659)	–	(323)
At the end of the financial year	722,812	201,496	494,325	195,375

On 29 September 2021 the Company raised £2.6 million, before expenses, through the placing of 104,000,000 new ordinary shares at a placing price of £0.025 per share.

Pursuant to the share placing agreement with New Technology Capital Group LLC ("Investor") announced on 16 December 2020, the Company issued 124,487,312 new ordinary shares during the year in satisfaction of subscription amounts totalling £4,180,000. The agreement with the Investor was terminated on 28 September 2021. The Investor continues to hold 1,900,000 warrants with an exercise period of 36 months from the date of issue with an entitlement to subscribe for one new share per warrant at an exercise price of £0.30371 per share. (see Note 26(f) for further details).

In the current reporting period, £0.7 million (2020: £0.3 million) of expenses were incurred incidental to the issuance of shares.

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

# Notes to the Financial Statements

continued

## 21 Capital reserve

The capital reserve consists of the difference between the carrying value of net assets transferred to and the consideration received from the non-controlling interest.

## 22 Translation reserve

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

## 23 Share options

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

### Long Term Incentive Plan ("LTIP")

In 2013, the Company approved an LTIP. During the year, 26.6 million (2020: 1.9 million) share options were granted under the LTIP.

The options outstanding at 31 December 2021 have a weighted average contractual life of 9.7 years (2020: 7.49 years).

Details of the share options outstanding are as follows:

	Group and Company			
	2021		2020	
	No. of share options '000	Weighted average exercise price £'000	No. of share options '000	Weighted average exercise price £'000
Outstanding at end of the year	25,785	0.08	5,131	0.43
Exercisable at end of the year	2,175	0.302	3,180	0.477

The share options on issue as at the reporting date expire between 2026 and 2031.

In 2021, £0.55 million (2020: £0.1 million) was transferred from the share option reserve to accumulated losses upon cancellation/expiry of the share options.

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

On 10 November 2016, the Company established a CSOP to offer share options to employees. During the year, 6.99 million share options were granted under the CSOP (2020: Nil).

The options outstanding at 31 December 2021 have a weighted average contractual life of 8.6 years (2020: 8.40 years).

# Notes to the Financial Statements

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No options were exercised in 2021 and 2020.

	Group and Company			
	2021		2020	
	No. of share options '000	Weighted average exercise price £'000	No. of share options '000	Weighted average exercise price £'000
Outstanding at end of the year	7,053	0.15	3,236	0.240
Exercisable at end of the year	6,152	0.14	1,036	0.340

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:

	2021	2020
Fair value of options on date of grant	£0.01 - £0.10	£0.02 - £0.10
Share price	£0.02 - £0.24	£0.18 - £0.23
Exercise price	£0.02 - £0.25	£0.20 - £0.50
Expected volatility	64.29% - 81.14%	55.87% - 62.48%
Expected life	3 years	3 years
Risk free rate	0.97%	0.29%
Expected dividend yield	0%	0%

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

The Group and the Company recognised total expenses of £0.3 million (2020: £0.1 million), related to equity-settled share-based payment transactions during the year and this is included as part of employee benefits expense (Note 7).

## 24 Earnings per share

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

	Total loss attributable to owners of the Company		Weighted average Number of shares		Loss per share	
	2021 £'000	2020 £'000	2021 '000	2020 '000	2021 £	2020 £
Basic and diluted	(67,623)	(19,079)	558,725	453,637	(0.12)	(0.04)



# Notes to the Financial Statements

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	Company	
	2021 '000	2020 '000
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the year	453,637	429,076
Effect of public offerings issued for cash	26,857	24,486
Effect of shares issued other than cash (Note 20)	78,231	75
Weighted average number of shares at the end of the year	558,725	453,637

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.

## 25 Provisions

	Group			Company
	Provision for decommissioning costs £'000	Other provision £'000	Total £'000	Other provision £'000
<b>2021</b>				
At 1 January	14,901	140	15,041	94
Provision made during the year	–	112	112	–
Provision utilised during the year	(22)	(80)	(102)	(64)
Remeasurement of provision	(1,435)	–	(1,435)	–
Unwinding of discount on decommissioning costs	102	–	102	–
<b>At 31 December</b>	13,546	172	13,718	30
Non-current	13,546	–	13,546	–
Current	–	172	172	30
	13,546	172	13,718	30
<b>2020</b>				
At 1 January	14,564	95	14,659	41
Provision made during the year	212	–	212	–
Provision utilised during the year	(3)	(8)	(11)	–
Remeasurement of provision	(67)	53	(14)	53
Unwinding of discount on decommissioning costs	195	–	195	–
At 31 December	14,901	140	15,041	94
Non-current	14,879	–	14,879	–
Current	22	140	162	94
	14,901	140	15,041	94

### Provision for decommissioning costs

The provision for decommissioning costs includes the present value of the best estimate of direct costs that may be incurred to remove turbine foundations from the seabed and the decommissioning of the Uskmouth Power Station.

The turbine seabed foundations relate to the MeyGen project located in the Inner Sound of the Pentland Firth, which are anticipated to be decommissioned in 2043.

# Notes to the Financial Statements

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The Uskmouth Power Station provision is the present value of the best estimate of direct costs that may be incurred to restore the site of the Uskmouth Power Station to a condition that complies with applicable legislation, which is anticipated to take place in approximately 2042. 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 as set out in the summary of significant accounting policies 3(j) on page 41. A 5% increase in the estimate of current cost would increase the recorded provision by approximately £0.65 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 decrease the recorded provision by approximately £0.3 million in each financial year.

## Other provisions

The other provision represents short term provisions for payroll liabilities and lease dilapidations anticipated to be settled during 2022.

## 26 Loans and borrowings

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

	Note	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current loans and borrowings					
Convertible loan	(f)	–	1,725	–	1,725
Secured long term loans	(d)	–	1,681	–	–
Loans from a related party	(b)	–	2,082	–	–
Debentures	(e)	4,914	–	–	–
Financial guarantees		–	–	95	108
		4,914	5,488	95	1,833
Non-current loans and borrowings					
Loan from a subsidiary	(a)	–	–	423	408
Loans from a related party	(b)	7,842	5,522	–	–
Long term loan	(c)	5,814	5,522	–	–
Secured long term loans	(d)	21,655	18,643	–	–
Long term debentures	(e)	8,595	13,354	–	–
		43,906	43,041	423	408
Total loans and borrowings		48,820	48,529	518	2,241

### (a) Loan from a subsidiary

The loan from a subsidiary is denominated in Great British Pounds, is interest-bearing with an interest rate of 5.0% per annum and unsecured. The loan was due for repayment in 2021 but both parties have agreed to continue the loan under existing terms and there are currently no plans for repayment. The fair value of the loan at the end of the reporting period was approximately £0.4 million (2020: £0.4 million).

### (b) Loans from related parties

Loans from Morgan Stanley Capital Group Inc. ("MSCGI") totalling £ 5.8 million (2020: £5.5 million) are treated as related party loans, given that MSCGI is a related party of Morgan Stanley Renewables, a shareholder of the Company.

The loans from MSCGI are denominated in Great British Pounds with an interest rate of 5.0% per annum plus LIBOR, resulting in aggregate floating interest rates over the year in the range of 5.2% to 5.8% per annum, are unsecured and are repayable in February 2028. At the end of the reporting period, the carrying value of the loans approximate their fair value.

# Notes to the Financial Statements

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The loan from SIMEC Group Limited ("SIMEC") of £2.0 million (2020: £2.0 million) is treated as a related party loan, given that SIMEC is a shareholder of the Company. The loan was acquired on the acquisition of SUP in 2018. The loan is denominated in Great British Pounds, is interest free and repayable on 31 December 2023. In the earlier event of a share fundraise the loan is automatically converted into shares in the Company pursuant to compliance with the contractual relationship agreement requiring SIMEC Group to hold 49.9% or less of share capital in issue.

## **(c) Long-Term loan**

The loan is denominated in Great British Pounds, with an interest rate of 5.0% plus LIBOR, resulting in aggregate floating rates of interest over the year in the range 5.2% to 5.8% per annum, is unsecured and is repayable in February 2028. At the end of the reporting period, the carrying value of the loan approximates its fair value.

## **(d) Secured Long-Term loans**

### **MeyGen PLC ("MeyGen")**

In August 2014, as part of the MeyGen Phase 1A 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 MeyGen 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 2021 enhanced rent payments of £nil (2020: £0.8 million) were paid.

The Scottish Enterprise loan and the Crown Estates Scotland investment to MeyGen are denominated in Great British Pounds, and are repayable in the period from 2018 to 2027. The effective interest rates on these loans are in the range of 7% to 7.8% per annum. During 2021 £Nil (2020: £1.0 million) was repaid.

The Group's secured long-term loans are secured by way of fixed and floating charges over the assets of subsidiaries as well as MeyGen shares and the Company has provided a parent company guarantee for £2 million of the Scottish Enterprise loans.

During the period, the performance of the MeyGen Phase 1A project was adversely impacted by maintenance issues on three of the four MeyGen Phase 1A turbines. MeyGen was unable to meet payments on the secured long-term loans as they fell due during the period. MeyGen agreed two separate remedial plans with Scottish Enterprise and Crown Estates Scotland (the senior creditors) which had the effect of suspending all senior debt repayments until 30 June 2022. On 1 April 2022, MeyGen agreed an additional loan facility of £2.5 million with Scottish Enterprise. As part of this arrangement, a new remedial plan has been put in place that suspends any further senior debt repayments until December 2024.

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

The Group's and the Company's exposures to interest rate, foreign currency and liquidity risks are described in Note 32.

## **(e) Long-Term debentures**

On 25 July 2017, the Group, via its subsidiary company Atlantis Ocean Energy PLC, raised £4.95 million through a five-year bond with a coupon of 8% per annum, payable semi-annually, and maturing in June 2022. The bond was offered through Abundance Investment Limited, the provider of a regulated green peer-to-peer investment platform.

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

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

# Notes to the Financial Statements

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On 9 June 2022, the Atlantis Ocean Energy debenture holders voted to accept a special resolution to defer the principal repayment of £4.95 million from 30 June 2022 until 30 June 2023. In addition, a three-month deferral of the interest payable on 30 June 2022 was agreed. At the date of these accounts, Atlantis Future Energy debenture holders had been asked to agree to a deferral of the interest payments due on 30 June 2022 until 30 September 2022.

## (f) Convertible loan

On 16 December 2020, the Company announced a share placing agreement with New Technology Capital Group LLC ("Investor"), a US based investor, in relation to the issuance of new ordinary shares in the Company to raise up to £12.0 million. An initial investment of £2m was made during 2020, with a further tranche of £2 million received in Q1 2021. No further drawdowns of funding were made under this agreement. During 2021, the Company issued ordinary shares of 124,487,312 new ordinary shares in satisfaction of subscription amounts totalling £4,180,000. The agreement with the Investor was terminated on 28 September 2021. The Investor continues to hold 1,900,000 warrants with an exercise period of 36 months from the date of issue with an entitlement to subscribe for one new share per warrant at an exercise price of £0.30371 per share.

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

	<b>Loans and other borrowings</b>	
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	48,529	45,221
Proceeds from borrowings	2,000	3,056
Repayment of borrowings**	(4,235)	(1,753)
Interest expense*	2,985	3,028
Interest paid	(1,096)	(1,099)
Capitalisation of loan issue costs	–	(192)
Amortisation of loan costs*	637	268
<b>At 31 December</b>	<b>48,820</b>	<b>48,529</b>

\* non-cash movements

\*\* £4.18m of this repayment was effected by issue of ordinary shares under the share placement agreement with New Technology Capital (Note 20).

## 27 Deferred tax liabilities

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

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	3,582	3,344
Unwind historic fair value adjustment	(196)	(156)
Effect of increase in tax rates	1,022	394
Effect of Asset Impairment	(3,310)	–
Disposal of subsidiary	(327)	–
At 31 December	771	3,582

The deferred tax liabilities were recognised due to the fair valuation of assets upon acquisition of MeyGen in 2013 and are unwinding over MeyGen 1A operating period.

# Notes to the Financial Statements

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During 2019, £0.3 million of deferred tax liability was recognised as a result of the fair value adjustments on acquisition of GHR and was being unwound over the life of the non-terminable operations and maintenance contracts. The unamortised element of this adjustment has been reversed in 2021 following the disposal of GHR.

During the year the deferred tax liability was adjusted to reflect the changes to future UK corporate tax rates from 19% to 25% as a result of the Finance Act 2021 substantially enacted at the reporting date.

## 28 Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade payables	1,304	1,423	239	234
Other payables	3,697	3,799	27	27
Accruals	644	706	239	307
Non-trade payables due to subsidiaries	–	–	8,210	9,803
Other financial liabilities	5,645	5,928	8,715	10,371
Advance receipts	1,469	2,086	–	–
Value added tax payable	–	16	–	–
Corporate tax payable	–	25	–	–
	7,114	8,055	8,715	10,371

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

Other payables include £3.4 million relating to grant income previously received for which the EU has notified may be subject to clawback. As disclosed in Note 3 under the Going Concern commentary, the Group is in discussions with the EU regarding this potential repayment.

Advanced receipts include deferred grant income of £Nil (2020: £0.1 million), deferred revenue £Nil (2020: £0.8 million) and the lease premium of £1.5 million (2020: £1.5 million) received as part of the acquisition of SUP in 2018.

The Group's and the Company's exposure to currency and liquidity risks related to trade and other payables are described in Note 32.

## 29 Related company and parties transactions

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Interest income from a subsidiary				
– MeyGen PLC	–	–	64	64
Service fee income from a subsidiary				
– Atlantis Resources (Scotland) Limited	–	–	310	157
Interest expense arising from related party				
– Morgan Stanley Capital Group Inc.	294	310	–	–
Interest expense arising from a subsidiary				
– Atlantis Resources (Scotland) Limited	–	–	15	15
Recharge of costs to related party				
– SIMEC Power 1 Limited **	(98)	100	–	–
– SIMEC Power 4 Limited **	(226)	226	–	–
– SIMEC Subcoal Fuels Limited **	(184)	–	–	–

# Notes to the Financial Statements

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	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Project management fees to a related party				
– Kinlochleven Power Ltd *	–	286	–	–
– Hydropower River Leven Ltd *	–	172	–	–
Reimbursement of Non-Executive Director fees paid by SIMEC International (UK) Ltd **	32	39	32	–

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

\*\* related party by virtue of their relationship to SIMEC UK Energy Holdings Ltd, a significant shareholder.

## Compensation of Directors and Key Management Personnel

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

	Group	
	2021 £'000	2020 £'000
Short-term benefits	645	689
Defined contribution benefits	20	29
Share-based payments	127	12
	792	730

## 30 Commitments

As at 31 December 2021, the Group, through its subsidiary SUP, has capital expenditure contracted but not recognised as liabilities of £ Nil (2020: £1.25 million).

## 31 Contingent liabilities

The Company has guaranteed credit facilities of £3.5 million (2020: £3.5 million) granted to subsidiaries.

The Company has provided a parent company guarantee in respect of the debentures issued by its subsidiaries Atlantis Ocean Energy PLC and Atlantis Future Energy PLC.

The Company has provided a parent company guarantee in respect of the performance of its subsidiary Atlantis Operations UK Limited under a turbine supply agreement to MeyGen PLC. The maximum liability under this agreement to the end of the latent defect period on 28 March 2024 is £3.3 million (2020 - £3.3 million).

## 32 Financial instruments

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.

# Notes to the Financial Statements

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The Group's balances are considered to be recoverable and are not past due. The total provision for impairment loss relating to loans and receivables for the Group is insignificant but the Company is £71.7 million (2020: £17.6 million). See Notes 16 and 17 for further detail of loans and receivables balances.

## Cash and cash equivalents

The Group held cash of £3.7 million (2020: £5.8 million) at 31 December 2021. Cash at bank is held with banks and financial institution counterparties that are licensed banks in the countries in which the Group operates and that are rated A+ based on Standard & Poor's ratings.

## Guarantees

At 31 December 2021 and 2020, the Company issued guarantees to a lender in respect of credit facilities granted to a subsidiary (Note 31).

## (b) Liquidity risk

The Group actively manages its operating cash flows and the availability of funding through maintaining sufficient cash and cash equivalents to finance its activities.

Current financial liabilities in 2021 and 2020 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.

	Note	Carrying amount £'000	Contractual cash flows			
			Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
<b>Group</b>						
<b>2021</b>						
Financial liabilities						
Trade and other payables	28	5,648	5,648	5,648	–	–
Loans from a related party	26	7,842	9,593	–	2,027	7,566
Long-term loan	26	5,814	7,566	–	–	7,566
Long-term debentures	26	13,509	15,232	5,146	10,086	–
Secured long-term loans	26	21,655	30,347	–	5,944	24,403
Lease liabilities	13	759	3,863	60	214	3,589
		55,227	72,249	10,854	18,271	43,124
<b>2020</b>						
Financial liabilities						
Trade and other payables	28	5,928	5,928	5,928	–	–
Loans from a related party	26	7,604	9,763	2,082	–	7,681
Convertible loan	26	1,725	–	–	–	–
Long-term loan	26	5,522	7,681	–	–	7,681
Long-term debentures	26	13,354	17,683	1,096	16,587	–
Secured long-term loans	26	20,324	32,049	2,308	11,579	18,162
Lease liabilities	13	1,677	4,894	327	1,005	3,562
		56,134	77,998	11,741	29,171	37,086

# Notes to the Financial Statements

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	Note	Carrying amount £'000	Contractual cash flows			
			Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
<b>Company</b>						
<b>2021</b>						
Financial liabilities						
Trade and other payables	28	8,714	8,714	8,714	–	–
Financial guarantees	26	95	3,500	3,500	–	–
Loan from a subsidiary	26	423	423	–	423	–
		9,232	12,637	12,214	423	–
<b>2020</b>						
Financial liabilities						
Trade and other payables	28	10,372	10,372	10,372	–	–
Convertible loan	26	1,725	–	–	–	–
Financial guarantees	26	108	3,500	3,500	–	–
Loan from a subsidiary	26	408	423	–	423	–
		12,613	14,295	13,872	423	–

## (c) Market risk

### Currency risk

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

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

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Australian dollars	2	3	1	9	–	–	80	70
Euros	–	24	19	5	–	4	–	–
United States dollars	–	–	1	–	–	1	–	–
Singapore dollars	–	–	47	31	–	7	17	28
Japanese yen	785	562	213	881	–	–	–	–

### 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.



# Notes to the Financial Statements

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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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Australian dollars	–	–	0	(1)	–	–	(8)	(7)
Euros	–	–	(2)	2	–	–	–	–
United States dollars	–	–	(0)	–	–	–	–	–
Singapore dollars	–	–	(5)	(3)	–	–	(2)	(3)
Japanese yen	–	–	57	(32)	–	–	–	–

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

## Interest rate risk

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

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

For variable rate financial instruments, a change of 100 basis points (bps) in interest rate with all other variables held constant would increase/decrease profit/loss before tax by £0.1 million (2020: £0.1 million).

A fundamental financial industry reform of interest rate benchmarks is being undertaken globally, including the cessation and replacement of interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "interest rate benchmark reform"). The Group's interest rate risk that is directly affected by the interest rate benchmark reform predominantly comprises its variable rate borrowings. As at 31 December 2021, the Group has variable rate borrowings of £11.6 million and the Company has variable rate receivables of £1.3 million that are indexed to LIBOR rates which has yet to transition to an alternative benchmark rate.

## 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 £63.7 million (2020: £125.2 million) and £13.1 million (2020: £117.1 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.

# Notes to the Financial Statements

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## (d) Accounting classifications and fair values

Except as detailed in the following table, the Directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The fair values of the financial instruments have been determined based on discounted future cash flows using Level 3 hierarchy, which are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	Note	2021		2020	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
<b>Group</b>					
Financial assets					
Trade and other receivables	17	907		2,516	
Cash and cash equivalents	19	3,771		5,814	
Financial assets at amortised cost under IFRS 9		4,678		8,330	
Financial liabilities					
Trade and other payables	28	5,645		5,928	
Secured long term loans	26	21,655	21,275	20,324	20,999
Other loans and borrowings	26	27,165	27,165	28,205	28,205
Lease liabilities	13	759		1,677	
Liabilities at amortised cost		55,224		56,134	
<b>Company</b>					
Financial assets					
Loans receivables	16	592		12,294	
Trade and other receivables	17	111		49,893	
Cash and cash equivalents	19	2,444		732	
Financial assets at amortised cost under IFRS 9		3,147		62,919	
Financial liabilities					
Trade and other payables	28	8,714		10,371	
Loan from a subsidiary	26	423	421	408	401
Other loans and borrowings	26	95		1,833	
Liabilities at amortised cost		9,232		12,612	

## 33 Segment information

### (a) Operating Segments

The Group is principally engaged in generating energy from renewable generation projects, development of these projects, as well as turbine and engineering services for the tidal power industry. In addition to the development of power projects, the power generation division currently focuses on the development of the MeyGen tidal energy project, whereas the turbine and engineering services division focuses on the development and delivery of turbines and technology solutions for projects worldwide. The divisions are managed separately because they require different expertise and marketing strategies. External revenues from power generation relate to MeyGen's contract to sell generation and ROCS to Smartest Energy Limited. External revenues from project development relate to operations and maintenance contracts for hydro power schemes from GHR. External revenue from the turbine and engineering services relates to the supply of rental tidal generation equipment and offshore construction services in Japan. From 2019 the acquisition of GHR has been included in project development segment. GHR was disposed of in December 2021. The result of its activities up to disposal are included in the segmental analysis.

# Notes to the Financial Statements

continued

Other operations include the provision of corporate services which does not meet any of the quantitative thresholds for determining reportable segments in 2021 and 2020 and is included within unallocated.

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

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

	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Unallocated £'000	Total £'000
<b>2021</b>					
External revenues	1,628	3,628	2,316	(61)	7,511
Inter-segment revenue	–	–	–	–	–
Interest revenue	–	86	0	(86)	0
Interest expense	(2,178)	(69)	(84)	(1,119)	(3,450)
Depreciation and amortisation	(2,016)	(1,061)	(5,886)	(1,693)	(10,656)
Impairment of property, plant and equipment	(13,236)	–	(32,076)	–	(45,312)
Impairment of intangible assets	–	(7,836)	–	–	(7,836)
Reportable segment loss before tax	(18,875)	(11,382)	(43,106)	(719)	(74,082)
Reportable segment assets	48,562	16,631	27,945	(5,269)	87,869
Capital expenditure	26	3	1,537	–	1,566
Reportable segment liabilities	(36,789)	(58,098)	(38,298)	62,003	(71,182)
<b>2020</b>					
External revenues	3,194	6,553	2,458	–	12,234
Inter-segment revenue	(2,410)	2,410	–	–	–
Interest revenue	2	65	–	(64)	3
Interest expense	(2,187)	(123)	(176)	(1,403)	(3,889)
Depreciation and amortisation	(2,695)	(973)	(5,938)	(1,018)	(10,624)
Reportable segment loss before tax	(3,587)	(2,765)	(7,523)	(5,546)	(19,421)
Reportable segment assets	66,292	26,741	66,661	(1,034)	158,660
Capital expenditure	2,532	5	2,345	–	4,882
Reportable segment liabilities	(38,181)	(56,885)	(36,070)	54,252	(76,884)

## (b) Geographical segments

Total segment revenue for the Group is £7.5 million (2020: £12.2 million). The Group power generation and project development operations are mostly based in the United Kingdom. Most of the Group's assets are located in the United Kingdom. The Group's turbine and engineering services division completed a project in Japan during the year. The capital expenditure during the year is primarily related to the development of the sustainable energy projects located in the United Kingdom.

## 34 Events after the reporting period

On 9 June 2022, the Atlantis Ocean Energy debenture holders voted to accept a special resolution to defer the principal repayment of £4.95 million from June 2022 until June 2023. In addition, a three-month deferral of the interest payable on 30 June 2022 was agreed. Atlantis Future Energy debenture holders have also been asked to agree to a deferral of the interest payments due on 30 June 2022 until 30 September 2022.

# COMPANY INFORMATION

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John Anthony Clifford Woodley  
Andrew Luke Dagley

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Simon Matthew Hirst

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**SIMEC ATLANTIS  
ENERGY**

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