

Registered number: 06484012

Atlantis Operations (UK) Limited

Directors' report and financial statements

For the year ended 31 December 2021

Atlantis Operations (UK) Limited

Company Information

Directors

Graham Matthew Reid (appointed 18 January 2021)
Simon Matthew Hirst (appointed 12 September 2022)

Company secretary

Intertrust (UK) Limited

Registered number

06484012

Registered office

1 Bartholomew Lane
London
EC2N 2AX

Independent auditor

Kreston Reeves LLP
Chartered Accountants & Statutory Auditor
37 St Margaret's Street
Canterbury
Kent
CT1 2TU

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Atlantis Operations (UK) Limited

Directors' report

For the year ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors

The directors who served during the year were:

Andrew Luke Dagley (resigned 12 September 2022)
Graham Matthew Reid (appointed 18 January 2021)
Timothy James Cornelius (resigned 18 January 2021)

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Auditor

Under section 487(2) of the Companies Act 2006, Kreston Reeves LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Graham Matthew Reid

Director

Date: 29 September 2022

**Directors' responsibilities statement
For the year ended 31 December 2021**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report to the members of Atlantis Operations (UK) Limited

Disclaimer of opinion

We were engaged to audit the financial statements of Atlantis Operations (UK) Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Directors have prepared the Company's financial statements for the year ended 31 December 2021 on a going concern basis in accordance with the assumptions as disclosed in note 2.4. These financial statements show that, as at 31 December 2021 and for the year ended on that date, the Company incurred a net loss after tax of £8,341,893, and the Company had cash balances totalling £118,482.

The Directors of the Company have identified a material uncertainty in relation to the availability of ongoing financial support from the ultimate holding company, SIMEC Atlantis Energy Limited ('the Parent') that may cast significant doubt upon the Company's ability to continue as a going concern.

The financial position of the Company is intrinsically linked to the Parent, and the Company is reliant on the Parent for continued financial support. The audit opinion on the Parent financial statements was disclaimed as a result of the interaction of the material uncertainties set out below, and the possible cumulative effect on the appropriateness of the going concern assumption used in the preparation of the Parent company financial statements.

The directors of the Parent identified three material uncertainties that may cast significant doubt upon the Parent's ability to continue as a going concern. In summary, these are:

1. Financial close of the Battery Energy Storage Solution ('BESS') project
2. Refinancing of the Abundance bonds due for repayment in 2023
3. Timing of the repayment of EU grant funding

The full details of these uncertainties can be viewed in the Annual Report of SIMEC Atlantis Energy Limited (which can be found at www.simecatlantis.com).

The validity of the going concern basis on which the financial statements of the Parent and the Company are prepared is dependent on certain assumptions and the successful outcome of the group's actions. The assumptions are premised on future events, the outcome of which is inherently uncertain.

We were unable to obtain sufficient appropriate audit evidence regarding the ability of 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.

Independent auditor's report to the members of Atlantis Operations (UK) Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditor's report to the members of Atlantis Operations (UK) Limited (continued)

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and the industry it operates in, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and taxation legislation.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate profits, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations (including health and safety) and fraud, and review of the reports made by management; and
- Assessment of identified fraud risk factors; and
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud; and
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax authorities; and
- Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions; and
- Identifying and testing journal entries, in particular any manual entries made at the year end for financial statement preparation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Independent auditor's report to the members of Atlantis Operations (UK) Limited (continued)

Use of our report

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

Mark Attwood FCCA (Senior statutory auditor)

for and on behalf of

Kreston Reeves LLP

Chartered Accountants

Statutory Auditor

Canterbury

29 September 2022

Statement of comprehensive income
For the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	2,837,785	8,962,691
Other operating income	5	1,023,250	163,000
Other external charges	6	(10,742,818)	(8,619,817)
Employee benefit expense	8	(767,381)	(1,126,006)
Depreciation and amortisation	12,13	(762,710)	(714,038)
Operating loss		(8,411,874)	(1,334,170)
Interest receivable and similar income	10	69,981	49,585
Loss before tax		(8,341,893)	(1,284,585)
Tax on loss	11	-	-
Loss for the financial year		(8,341,893)	(1,284,585)

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 10 to 25 form part of these financial statements.

Statement of financial position
As at 31 December 2021

	Note	2021 £	2020 £
Non-current assets			
Intangible assets	12	-	4,997,132
Property, plant and equipment	13	-	-
Investments	14	279,624	279,624
Other receivables	15	1,423,946	1,354,009
		<u>1,703,570</u>	<u>6,630,765</u>
Current assets			
Trade and other receivables	15	309,984	3,652,697
Cash and cash equivalents	16	118,482	1,092,865
		<u>428,466</u>	<u>4,745,562</u>
Current liabilities			
Trade and other payables	17	(26,496,452)	(27,423,039)
Provisions	18	-	(7,048)
		<u>(26,067,986)</u>	<u>(22,684,525)</u>
Net current liabilities			
		<u>(24,364,416)</u>	<u>(16,053,760)</u>
Net liabilities			
Capital and reserves			
Called up share capital	19	1,906,944	1,906,944
Other reserves	20	385,537	726,460
Retained earnings	20	(26,656,897)	(18,687,164)
Total equity		<u>(24,364,416)</u>	<u>(16,053,760)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2022.

Graham Matthew Reid
Director

The notes on pages 10 to 25 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2021

	Called up share capital	Other reserves	Retained earnings	Total equity
	£	£	£	£
At 1 January 2020	1,906,944	713,695	(17,402,579)	(14,781,940)
Loss for the year	-	-	(1,284,585)	(1,284,585)
Capital contribution from parent company	-	12,765	-	12,765
At 1 January 2021	1,906,944	726,460	(18,687,164)	(16,053,760)
Loss for the year	-	-	(8,341,893)	(8,341,893)
Transfer to/from retained earnings	-	(372,160)	372,160	-
Capital contribution from parent company	-	31,237	-	31,237
At 31 December 2021	1,906,944	385,537	(26,656,897)	(24,364,416)

The notes on pages 10 to 25 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2021

1. General information

Atlantis Operations (UK) Limited ("the company") is a private company limited by shares and is incorporated in England with the registration number 06484012. The address of the registered office is 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX.

The principal activities of the Company comprise the provision of research support to related party companies' development of tidal energy projects and the development of technology to harness tidal power.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

These financial statements are rounded to the nearest pound, unless stated otherwise.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of SIMEC Atlantis Energy Limited as at 31 December 2021 and these financial statements may be obtained from www.simecatlantis.com.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.3 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

These financial statements are therefore the Company's separate financial statements, and present information about the Company as an individual undertaking and not about its Group.

2.4 Going concern

These financial statements have been prepared on the going concern basis. The directors are required to state whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties as to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. The period of management's going concern assessment is the period to 30 September 2023.

The Company is in a net liability position of £24.36 million as at the financial year end (including amounts of £1.62 million due to it from related companies within the group) and the Company requires parental financial support from SIMEC Atlantis Energy Limited (the "Parent"). The Parent has provided a letter of support confirming it will provide support for the period to 31 December 2023 where required.

The Directors of the Company have considered the ability of the parent to provide financial support, through directly reviewing the going concern assessment of the parent. The Directors have identified a material uncertainty in relation to the availability of ongoing financial support from the parent company that may cast significant doubt upon the Company's ability to continue as a going concern.

Going concern assessment - parent

The Parent company financial statements for the year ended 31 December 2021 were approved by its directors on 28 June 2022 having adopted the going concern basis of preparation. After reviewing the current liquidity position, financial forecasts and stress testing of risks and based on current funding facilities and considerations noted above the Board of Directors of the parent have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. As a result, the Parent continues to adopt the going concern basis of accounting in preparing the Group financial statements.

The directors of the Parent company identified three material uncertainties that may cast significant doubt upon the Parent's ability to continue as a going concern. In summary, these are:

- Refinancing of the Abundance bonds due for repayment in 2023
- Timing of the repayment of EU grant funding
- Financial close of the Battery Energy Storage Solution ('BESS') project

Please refer to the full Annual Report of SIMEC Atlantis Energy Limited (which can be found at www.simecatlantis.com) for details of the material uncertainties identified.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.4 Going concern (continued)

Material uncertainty in relation to going concern of the Company

Taking the above going concern assessment of the Parent into consideration, the Directors of the Company have identified a material uncertainty in relation to the availability of ongoing financial support from the parent company that may cast significant doubt upon the Company's ability to continue as a going concern.

Despite the material uncertainty, on the basis of the Parent's going concern assessment, stress testing and consideration of the mitigations available (some of which are not within the control of management), the Board of Directors of the Company have a reasonable expectation that the parent has sufficient resources to provide ongoing financial support for the foreseeable future. As a result, the Board of Directors of the Company will continue to adopt the going concern basis of accounting in preparing the company financial statements.

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

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Consulting fees are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Government grants

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

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.11 Share based payments

The ultimate parent company, SIMEC Atlantis Energy Limited, issues equity-settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. 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 estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase is recognised in equity as a capital contribution from SIMEC Atlantis Energy Limited.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.12 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.13 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The estimated useful lives range as follows:

Development expenditure	-	15	years
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Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.14 Property, plant and equipment

Property, plant and equipment assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Computer equipment	-	25%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.15 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.18 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, the directors are 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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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 disclosed below.

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 Company reviews the useful lives of the intangible assets at the end of each reporting period.

Recoverability of intangible assets

The recoverable amounts of the intangible assets related to the development costs, both completed and in-progress are estimated based on their value in use. When value in use calculations are undertaken, management estimates the expected future cash flows from the cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those 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%.

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 SIMEC Atlantis Group is pursuing. The Directors concluded that as at 31 December 2021, limited value could be ascribed to the Development Expenditure. As a result, this asset has been fully impaired (see note 12). This situation will be closely monitored, and adjustments will be made in future periods if future market activity indicates that such adjustments are appropriate.

Notes to the financial statements
For the year ended 31 December 2021

3. Judgements in applying accounting policies (continued)

Critical judgements in applying the Company's accounting policies

The directors are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

4. Turnover

The whole of the turnover is attributable to the provision of consulting services

All turnover arose within the United Kingdom.

5. Other operating income

	2021 £	2020 £
Other operating income	95,087	78,816
Government grants receivable	265,396	47,481
Insurance claims receivable	325,000	-
Gain from extinguishment of intercompany debt	-	36,703
Recharged costs	337,767	-
	<u>1,023,250</u>	<u>163,000</u>

6. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Amortisation of intangible assets	762,710	714,038
Impairment of intangible assets (see note 12)	4,234,421	-
Intercompany bad debt expense (see note 15)	2,784,896	-
Exchange differences	158,671	148,966
Share based payments	31,237	12,765
Defined contribution pension cost	<u>66,725</u>	<u>91,449</u>

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>12,000</u>	<u>6,000</u>

Notes to the financial statements
For the year ended 31 December 2021

8. Employees

	2021 £	2020 £
Wages and salaries	631,249	923,422
Social security costs	69,407	111,135
Cost of defined contribution scheme	66,725	91,449
	<u>767,381</u>	<u>1,126,006</u>

Included in wages and salaries are share-based payment expenses of £31,237 (2020 - £12,765) in respect of an equity-settled scheme operated by SIMEC Atlantis Energy Limited, the parent undertaking, for certain employees.

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
	<u>10</u>	<u>9</u>
Staff		

9. Directors' remuneration

Two of the Directors who served during the year were employed by the Company during 2021 (2020 - one).

The other Director who served during the year is an employee of another SIMEC Atlantis Group entity and no consideration is paid by the Company to the other entity for the services rendered during 2021 (2020 - £NIL).

	2021 £	2020 £
Directors' emoluments	307,426	352,000
Company contributions to defined contribution pension schemes	15,729	-
	<u>323,155</u>	<u>352,000</u>

During the year retirement benefits were accruing to 1 director (2020 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £243,731 (2020 - £352,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,729 (2020 - £NIL).

Notes to the financial statements
For the year ended 31 December 2021

10. Interest receivable

	2021 £	2020 £
Other interest receivable	<u>69,981</u>	<u>49,585</u>

11. Taxation

	2021 £	2020 £
Current tax on profits for the year	-	-
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year differs from the amount computed by applying the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	<u>(8,341,893)</u>	<u>(1,284,585)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	<u>(1,584,960)</u>	<u>(244,071)</u>
Effects of:		
Non-taxable income	-	(14,975)
Unrelieved tax losses carried forward	<u>1,584,960</u>	<u>259,046</u>
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The main rate of corporation tax is due to increase on 1 April 2023 to 25%, for companies with taxable profits above £250,000. Companies with taxable profits below £50,000 will continue to pay at 19%, and marginal relief will apply between these thresholds. This change formed part of The Finance Bill 2021, which was substantively enacted on 24 May 2021, and is applicable at the reporting date.

On 23 September 2022 the UK Government announced that these changes are to be reversed. However, this has not yet been substantively enacted.

At the end of the reporting period, the Company has unutilised tax losses of £30.2m (2020 - £28.6m) available to offset against future profits.

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the financial statements
For the year ended 31 December 2021

12. Intangible assets

	Development expenditure £
Cost	
At 1 January 2021	11,735,069
At 31 December 2021	<u>11,735,069</u>
Amortisation	
At 1 January 2021	6,737,937
Charge for the year on owned assets	762,710
Impairment charge	4,234,422
At 31 December 2021	<u>11,735,069</u>
Net book value	
At 31 December 2021	<u>-</u>
At 31 December 2020	<u>4,997,132</u>

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

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.

Notes to the financial statements
For the year ended 31 December 2021

13. Property, plant and equipment

	Computer equipment £
Cost	
At 1 January 2021	1,803
Disposals	(1,803)
At 31 December 2021	<u>-</u>
At 1 January 2021	1,803
Disposals	(1,803)
At 31 December 2021	<u>-</u>
Net book value	
At 31 December 2021	<u>-</u>
At 31 December 2020	<u>-</u>

14. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2021	279,624
At 31 December 2021	<u>279,624</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Atlantis Operations Japan Godo Kaisha	Nagasaki Dejima Incubator 1-43, Dejimamachi, Nagasaki 850-0862 Japan	Ordinary	100 %

Notes to the financial statements
For the year ended 31 December 2021

15. Trade and other receivables

	2021 £	2020 £
Non-current		
Amounts owed by group undertakings	<u>1,423,946</u>	<u>1,354,009</u>

Loan to fellow group undertaking, MeyGen plc bears interests at 5% + LIBOR and is repayable on 1 February 2030.

	2021 £	2020 £
Current		
Amounts owed by group undertakings	193,488	3,276,535
Other receivables	113,246	238,649
Prepayments and accrued income	3,250	137,513
	<u>309,984</u>	<u>3,652,697</u>

The amounts owed by group undertakings are non-trade, unsecured, interest-free and repayable on demand.

A provision for impairment in the sum of £2,784,896 (2020 - £NIL) has been made for the receivable balances owed by group undertakings. The directors are of the view that the remaining receivables are recoverable.

16. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>118,482</u>	<u>1,092,865</u>

17. Trade and other payables

	2021 £	2020 £
Trade payables	141,897	242,345
Amounts owed to group undertakings	26,044,469	26,600,869
Other taxation and social security	62,162	57,329
Accruals and deferred income	247,924	522,496
	<u>26,496,452</u>	<u>27,423,039</u>

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand. All balances are current.

Notes to the financial statements
For the year ended 31 December 2021

18. Provisions

	Payroll taxes
	£
At 1 January 2021	7,048
Utilised in year	(7,048)
	<hr/>
At 31 December 2021	-
	<hr/>

The payroll taxes provision represents short term provision for historic payroll taxes. These were fully settled during the reporting period.

19. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
1,906,944 (2020 - 1,906,944) Ordinary shares of £1.00 each	<u>1,906,944</u>	<u>1,906,944</u>

The Company has one class of Ordinary shares which carry no right to fixed income.

20. Reserves

Other reserves

During the financial period, the Company recognised share based payment expenses amounting to £31,237 (2020 - £12,765) arising from grants of share options and stock awards by the ultimate holding company to employees of the Company, resulting in a corresponding derecognition of a capital contribution from the immediate holding company.

Transfers between reserves of £372,160 (2020 - £NIL) relate to lapsed share options relating to leavers of the share options scheme.

Retained earnings

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £66,725 (2020 - £91,449). No contributions were payable to the fund at the reporting date.

Notes to the financial statements
For the year ended 31 December 2021

22. Related party transactions

The Company has taken the exemption available under FRS 101 regarding related party transactions entered into between two or more members of a group, provided that the subsidiaries party to the transaction are wholly owned by a member of the group. Disclosure is made of related party transactions which are not wholly owned subsidiaries within the group and therefore do not qualify for the disclosure exemption.

During the year, the Company entered into the following significant transactions with fellow group undertakings:

	2021 £	2020 £
MeyGen plc - loan issued	-	1,304,465
MeyGen plc - interest income	69,981	49,365
MeyGen plc - cost recharges	60,646	11,776
Normandie Hydroliennes - cost recharges	<u>277,121</u>	<u>-</u>

The following amounts were due (to)/from fellow group undertakings at the year end:

	2021 £	2020 £
Atlantis Resources (Gujarat Tidal) Pte Limited *	14,106	14,106
Duncansby Tidal Power Limited *	2,347	2,347
MeyGen Holdings Limited *	10,606	10,606
MeyGen plc	1,578,838	1,441,057
Tidal Power Scotland Limited *	<u>2,700</u>	<u>2,700</u>

* During the year, full provision has been made against these amounts due from fellow group undertakings. The total expense related to these provisions was £29,759 (2020 - £NIL).

23. Controlling party

The immediate parent company is Atlantis Turbines Pte Ltd, a company incorporated and registered in Singapore. At 31 December 2021 the company's ultimate parent company was SIMEC Atlantis Energy Limited, a company incorporated and registered in Singapore.

The largest group of undertakings for which group accounts are drawn up and of which the Company is included is the group headed by SIMEC Atlantis Energy Limited. No other group financial statements include the results of this Company. The registered office of SIMEC Atlantis Energy Limited is 21 Merchant Road, Level 4, Singapore 058267.

Copies of the financial statements of SIMEC Atlantis Energy Limited are available to the public and may be obtained from www.simecatlantis.com.

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