

ANNUAL REPORT

31 DECEMBER 2022



CONTENTS

	PAGE
Chairman's Statement	3
Chief Executive Officer's Statement	6
Board of Directors	9
Directors' Report	10
Corporate Governance Report	11
Audit Committee Report	17
Directors' Remuneration Report	20
Directors' Responsibility Statement	24
Independent Auditor's Report	25
Consolidated Statement of Comprehensive Income	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Notes to the Financial Statements	33
Company Information	IBC



Uskmouth power station



Vessel Control Room



Shop 1 Nigg Energy Park



TTG2 Deployment 2023

Chairman's Statement

Introduction

Following the significant restructuring of the business in the first part of 2022, I am pleased to report that the last 12 months has seen the Group make solid progress on its key projects. Key highlights have been the execution of the lease agreement and receipt of the £10 million upfront premium on our first battery energy storage system ("BESS") project at Uskmouth, strong operating performance at MeyGen Phase 1A, and the award of a 28 MW Contract for Difference for MeyGen Phase 2.

Uskmouth

Following the difficult decision in 2022 to halt the development of the Uskmouth Power Station conversion from coal to waste-derived fuel pellets, we have made excellent progress on the redevelopment of the site into a Sustainable Energy Park.

The Group made significant progress over the last 12 months on the 230 MW BESS with Energy Optimisation Solutions and Quinbrook Infrastructure Partners, including securing the necessary grid variations in August 2022, the grant of planning consent by Newport City Council in December 2022 and culminating in the execution of the lease agreement in June 2023 and receipt of the final instalment of the £10 million upfront premium in July 2023. Energy Optimisation Solutions and Quinbrook Infrastructure Partners are expected to commence construction of the project later this year.

The Group is also in advanced stage discussions with another developer in relation to co-developing a further 120 MW battery energy storage system project on the Uskmouth site which we look forward to providing further details of in the coming months.

We continue to work on the development of a comprehensive plan for the redevelopment of the Uskmouth site into a Sustainable Energy Park and continue to believe that there is the potential to unlock significant value from the site from both further battery energy storage systems as well as other sustainable energy initiatives.

As well as delivering value to shareholders, the successful development of our first BESS project at Uskmouth is allowing the Group to develop and demonstrate our capabilities in developing BESS projects. We see a significant market opportunity in the UK for BESS projects and we are exploring further opportunities at Uskmouth as well as elsewhere.

Tidal engineering and services division

In October 2022, we announced new investment into, and the purchase of a 79% shareholding in, the Group's tidal engineering and services division by Proteus Marine Renewables Limited ("Proteus"). Whilst the vertical integration between tidal turbine supplier and tidal project developer has served the Group well to date in the development of the tidal industry, there was always a recognition that these were very different businesses and as the tidal power industry has matured, we considered that this was the right time to separate the two businesses to allow each to focus on its own very different objectives.

This was another difficult decision but ultimately one that the Board considered essential in the interests of each business. If the tidal power sector is to be viable, it needs well capitalised tidal turbine suppliers that can provide large turbine orders backed by the required warranties, which the Group is not able to provide given its financial position.

The spin-out of the Group's tidal engineering and services division was the last stage in our restructuring that has significantly reduced the Group's operating costs and created a pure play sustainable energy and battery storage project developer. I am pleased to report that the Group is working well with Proteus on MeyGen 1A as well as with regard to the potential tidal turbine supply for MeyGen 2.

Chairman's Statement

continued

MeyGen phase 1A

We have continued to make good progress in stabilising operations at MeyGen Phase 1A. In September 2022, we returned the third of the four MeyGen 1A tidal turbines to service, with all three turbines operating well over the course of much of the last 12-months. The fourth turbine was successfully returned to operation in July 2023 following a significant upgrade and refurbishment programme of works, however, at the same time, we took the difficult decision to bring forward the reshoring of the Atlantis-supplied "Turbine 4" to allow for preventative maintenance and upgrade works.

In February 2023, MeyGen Phase 1A achieved a significant milestone in generating 50 GWh of clean and predictable electricity since the project's inception. Whilst the Phase 1A project has historically had a significant number of technical challenges associated with it being a "first of kind" project, it is now in a situation where it is in stable operations with significant learnings which are being applied to ongoing operations as well as to MeyGen 2.

MeyGen phase 2

We were delighted to announce in July 2022 that we had secured a Contract for Difference (CfD) from the UK government in the AR4 allocation round for a further 28 MW of tidal power at the MeyGen site. Following the announcement, we have progressed development of the project including initial design and engineering work, negotiations with potential tidal turbine suppliers, and the appointment of a financial advisor to advise on securing debt and equity funding for the project. Financial close of the project is targeted for Q2 2025 and we will provide further updates as development progresses.

Securing this CfD is a very significant development for MeyGen and for the tidal power sector as a whole, allowing an expansion of MeyGen's existing 6 MW array to a total of 34 MW. It allows the Group to build upon the success and learnings of the MeyGen Phase 1A project to deliver a project at commercial scale that will be able to demonstrate the commercial viability of tidal power as a key source of clean and predictable power.

New conversion opportunities

The Group continues to seek opportunities internationally to apply the expertise that it developed in the Uskmouth Power Station conversion project to other coal to waste-derived fuel pellet conversion projects. Our efforts remain focused in Eastern Europe where we see a number of potential opportunities given continued high gas prices, security of supply concerns, and the availability of waste feedstocks.

We continue to be of the view that simply closing coal-fired power stations in many countries around the world is not an option, 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. Our focus over the last 12 months has been on development activities at Uskmouth and MeyGen, but we will continue to seek to identify potential opportunities and will update shareholders accordingly.

Strategy

With the spin-off of the tidal turbine engineering and services business, we are a pure play developer of innovative sustainable alternative energy projects. 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 BESS projects will serve to provide grid stability given the dominance of weather dependent, intermittent renewables and our tidal projects provide a predictable source of generation that is uncorrelated to weather dependent renewables. Our coal project conversions provide 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.

Chairman's Statement

continued

Our priorities in the near term remain focused on the development of the Uskmouth Sustainable Energy Park, and the stabilisation of existing operations at, and expansion of, the MeyGen tidal project.

Thank you

The transition to net zero continues to be a key global priority and as a Group we remain committed to making 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

Our Annual General Meeting will be held on Friday 11 August 2023. Details of the resolutions to be proposed are set out in a separate Notice of Annual General Meeting, which accompanies this report for shareholders receiving hard copy documents, and which is available at www.saerenewables.com for those who elected to receive documents electronically.

Duncan Black

Chairman

25 July 2023

Chief Executive Officer's Statement

The business has made significant progress in the last 12 months, and I am incredibly proud to have led the committed and dedicated team who delivered this change, ensuring that we are in a really strong position to deliver an exciting future for our company and our shareholders.

Key to this change has been focus. We have worked across the business to set clear objectives and focus on four strategic priorities:

- Create a streamlined business, which can identify, respond, and deliver opportunities for the company.
- Significantly reduce costs and improve efficiency, aligned around 2 business areas: tidal stream and battery energy storage systems (BESS).
- Maximise the return on our assets at Uskmouth and MeyGen.
- Dispose of non-core businesses.

In the last 12 months, we have made significant gains against these priorities, with the business streamlined and focused on delivery, I am pleased to set out below how we have progressed in our business areas.

Tidal Stream Business:

The MeyGen site continues to demonstrate why it is the global home of tidal stream energy.

The phase 1a project continues to perform above expectations, with availability above 90% and the significant milestone of 50 GWh of generation recently achieved. This represents more than 70% of the global generation of tidal stream electricity.

Recently we have successfully deployed turbine 2, following significant upgrade work. We appreciate that this turbine has been out of the water longer than we all would like, but taking the time to install these significant upgrades are key in proving the technology and ensuring the projects long term success. During the same operation we took the opportunity to collect turbine 4 so we can complete some performance enhancing upgrades. We are extremely grateful for the support we continue to receive from the Scottish government and its associated organisations.

We were all very excited to secure a Contract for Difference (CfD) of 28 MW in the Application Round Four (AR4) auction. We were pleased with the outcome of AR4 and that the price was an endorsement of our responsible bidding strategy, securing the maximum price possible for our project. This guaranteed revenue stream is critical in unlocking future stages of the project. A lot has happened in the world since winning the auction, which continues to drive up costs for all technologies, including offshore wind. Tidal stream is equally impacted and the project economics are challenging. The team and I have been working tirelessly to manage these increases and deliver a viable project, while meeting the CfD timescales which are, Financial Investment Decision in 2025 and Commercial Operations in 2028.

Our ambition remains to deliver utility-scale tidal stream energy at the MeyGen site and we have been successful with our application for the next auction round, Application Round Five (AR5). The application window closed 24th April, with the sealed bid window open from 9th August 2023 to 15th August 2023. The results are expected sometime before 8th September 2023.

A major change in the tidal stream business is to mirror a similar model, like other renewable industries, where the development business is separate from the technology business. This allows us to prioritise the delivery of the site and work across the turbine industry. This meant in October 2022 we agreed to the sale of a majority stake in our Advanced Tidal Engineering and Services division (ATES). This was the best option for the business. As well as allowing us to focus on site delivery it also helped us achieve our focus on reducing operating costs, and together with the net sale proceeds, provides additional funding to support Group operations and the development of key projects.

Chief Executive Officer's Statement

continued

BESS Business:

The move into BESS is an exciting development for the company. It's a huge growth market with demand for energy storage and grid services increasing dramatically as intermittent renewables contribute more to the grid and the cost of gas and coal increase, and their use is phased out. We are very excited to help deploy this critical technology and find that it contributes to both our sites and experience.

Uskmouth Sustainable Energy Park

In May we were delighted to announce a 230MW battery storage project, which will be owned and operated by Quinbrook Infrastructure Partners and is due for completion in approximately 24 months. This project reached financial close during July 2023. We have recently signed a variation to this contract which could facilitate an additional 100MW of generation on the site.

We are working hard to finalise the details of a further 120 MW BESS project which is currently in the planning process, we hope to be able to provide further details on this in the coming months with a target of a favourable planning outcome in early 2024.

We have identified the potential for c.1 GW of BESS projects at the Uskmouth site and it's our aspiration to deliver this. The demand for BESS at the Uskmouth site is high, and the infrastructure and land we own make it an ideal location and vital in helping the decarbonisation journey for the area.

MeyGen

The opportunity to combine two of our core business areas is very exciting. Tidal energy is the most predictable source of renewable energy and what we are looking at is the co-location with BESS to deliver a real base load solution. There is an appetite in Government to see this type of energy solution developed, and we think the MeyGen site is the perfect location.

We are working on a BESS project of 287 MW with a grid connection date of 2027, which will complement the tidal stream project. There is a lot of work being done to unlock this opportunity, but it represents the next step in our evolution.

Sustainable Fuel Conversions Business:

Finally, while we have cancelled the Uskmouth conversion, we still retain significant knowledge and experience and see the potential of global opportunities to utilise this learning, however this is not a priority for the business at this time, our clear focus is on BESS and Tidal development.

2022 financial Performance:

The Group recorded a loss before tax of £11.1 million for the year ended 31 December 2022, compared with a £74.1 million loss in the prior year. The improvement in the results is driven by a £5.0 million reduction in operating expenses coupled with a £2.0 million improvement in the Uskmouth sustainable energy park valuation compared to the recognition of £53.1 million of non-cash impairment provisions in 2021, and a reduction of £7.4 million in depreciation & amortisation expenses. The group also recognised a £2.4 million loss on sale of the Advanced Tidal and Engineering services division.

Group revenue fell from £9.3 million in 2021 to £8.5 million in 2022. This reflected the completion of the Japanese consulting contract in 2021 and the impact of the sale of Green Highland Renewables in 2021 offset by an improvement in the performance of MeyGen and income from the sale of metals and consumables at the Uskmouth power station.

Power sales from the MeyGen tidal power project were £3.9 million, a rise of £2.3 million from 2021 reflecting the successful deployment of two turbines in March and September 2022.

Total expenses for the year (excluding depreciation and impairment) were £11.6 million, down from £16.6 million in 2021. The reduction in expenses reflects the completion of the restructuring of the group during 2022 with average headcount falling from 81 to 22 full time employees and lower costs incurred on MeyGen operations.

Chief Executive Officer's Statement

continued

The Group's closing net asset balance was £5.7 million (2021: £16.7 million) with the decrease primarily being the result of the trading performance during the year.

In March 2023 the Group reached agreement with its Atlantis Future Energy debenture holders to defer repayment of £4.9 million of principal due on the 31 March 2023 until 31 March 2024. In June 2023 the Group reached agreement with its Atlantis Ocean Energy debenture holders to defer repayment of £4.9 million of principal due on the 30 June 2023 until 30 June 2024.

Graham Reid

Chief Executive Officer

25 July 2023

Board of Directors

Duncan Stuart Black

Non-Executive Chairman

Duncan 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, CFO, 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 asset management of renewable energy projects in Asia for a leading impact fund manager. 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. Mr Reid has delivered more than 5GW of wind, solar and storage projects in previous roles, Mr Reid has been selected by the Board of Directors to build on the successful development history of the Company.

Simon Matthew Hirst

Chief Financial Officer

Simon Hirst was appointed Chief Financial Officer on 25 April 2022. Simon has worked at SAE since 2015 and has primarily been responsible for all financial and commercial aspects of the MeyGen project. Before joining SAE, 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.

Directors' Report

The Directors are pleased to present their report and the consolidated audited financial statements of the Company and the Group for the year ended 31 December 2022.

Corporate governance

The corporate governance statement on pages 11 to 16 forms part of the Directors' report.

Principal activities and business review

The Group is a global developer, owner and operator of renewable and sustainable energy projects. The Group holds equity positions in the world's flagship tidal stream project, MeyGen and the Uskmouth power station site that is being repurposed into a sustainable energy park initially housing battery energy storage projects. Further information on the Group's activities is contained in the Chief Executive Officer's Statement on pages 6 to 8.

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 8.

Directors

The Directors who served in office during the year ended 31 December 2022 were as follows:

Duncan Black – Independent Non-Executive Chairman

Graham Reid – Chief Executive Officer

Simon Hirst – Chief Financial Officer – appointed 25 April 2022

John Woodley – Non-Executive Director

Andrew Charters – Chief Financial Officer - resigned 25 April 2022

Andrew Dagley – Non-Executive Director – resigned 18 August 2022

Further detail of the Board changes can be found in the Corporate Governance Report on pages 11 to 16.

Directors' remuneration

The report on Directors' remuneration is set out on pages 20 to 23.

Directors' interests in shares

The interests of Directors in shares of the Company are disclosed in the Remuneration Report on pages 20 to 23.

Annual general meeting

The Company's Annual General Meeting will take place on 11 August 2023 at 11.00 am. Further details of the AGM can be found within the separate Notice of Annual General Meeting available at www.saerenewables.com.

This report was approved by the Board 25 July 2023 and signed on its behalf.

By order of the Board of Directors

Duncan Black
Chair of the Board

25 July 2023

Graham Reid
Chief Executive Officer

25 July 2023

Corporate Governance Report

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

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

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

The Board of Directors

During 2022, the Board comprised four Directors by the end of the year. The Board comprises an independent Non-Executive Chairman, one 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 2022:

Duncan Black – Independent Non-Executive Chairman

Graham Reid – Chief Executive Officer

John Woodley – Non-Executive Director

On 25 April 2022 Andrew Charters resigned as Chief Financial Officer and was replaced by Simon Hirst. Andrew Dagley resigned as non-executive director on 18 August 2022.

Director biographies illustrating their relevant skills and experience can be found on page 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 with a particular focus on strategic issues. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular, and by encouraging a constructive relationship between Executive and Non-Executive Directors. Board members are encouraged to openly and constructively challenge proposals made by executive management. Board agendas are reviewed and agreed in advance to ensure each Board meeting utilises the Board's time most efficiently. The Board and its Committees are provided with information on a timely basis in order to ensure proper assessment can be made of the matters requiring a decision or insight.

The Board

The Board is collectively responsible for the effective oversight and long-term success of the Company. It has responsibility for formulating, reviewing and approving the strategic direction and governance structure to achieve the long-term success of the Company and deliver shareholder value.

In addition to setting the strategy, the Board takes the lead in areas such as financial policy and making sure the Company maintains a sound system of internal control. The Board's responsibilities are set out in a formal schedule of matters reserved for the Board. This schedule is reviewed and updated by the Board where considered appropriate.

Corporate Governance Report

continued

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 is further detailed on pages 13 to 15.

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

Notwithstanding that Duncan Black holds ordinary shares of the Company (as detailed on page 20), the Board has considered his independence and has concluded that Duncan has demonstrated the utmost regard for his independence, appropriately challenging the Board during his tenure as Chairman and maintains high standards of corporate governance on the Board. Furthermore, the Board considers that Duncan 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. SAE 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, and whilst that agreement has now terminated, key provisions of this agreement continue to be effective that continue to provide this assurance.

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

Diversity, equality and inclusion are very important to the Board of Directors and the Executive Team. All candidates are selected for roles on the basis of their credentials and suitability for that role. Further information about our approach to diversity, equality and inclusion can be found in the Our People section on page 16 and on our website www.saerenewables.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 2022, the number of scheduled Board meetings attended by each of the current Directors was as follows:

	Attended
Duncan Black	14/14
Graham Reid	14/14
John Woodley	13/14
Simon Hirst	7/7

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

The Group has a detailed Delegated Authority Matrix which is reviewed 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 subcommittees 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.

Corporate Governance Report

continued

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

Succession planning is given consideration by the Nomination Committee as and when needed.

Senior Independent Director

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

Directors' Election/Re-Election

Under the Company's Articles of Association, Directors are required to stand for election at the first Annual General Meeting ("AGM") after their appointment. All Directors thereafter are obliged by the Articles of Association to retire on a rotating basis and are subject to re-election at the AGM, which will be applied at the 2023 AGM.

Accordingly, Duncan Black and Graham Reid will stand for re-election at the forthcoming AGM.

With regard to those Directors who are offering themselves for 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 re-election.

Board Committees

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

These Committees operate within a scope and remit defined by specific terms of reference, as determined by the Board. The Committees' full terms of reference are available on the company's website, www.saerenewables.com. These terms of reference were reviewed and updated 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. Other than the Chief Executive Officer's membership of the Nominations Committee, Executive Directors are not members of the Board Committees, although they may be invited to attend meetings.

Directors' attendance at Committee meetings (in their capacity as members of each Committee) held during 2022 is provided in the table below:

Committee Member	Audit Committee Attended	Remuneration Committee Attended	Nomination Committee Attended	Technology Committee Attended
Duncan Black	4/4	1/1	1/1	2/2
John Woodley	4/4	1/1	1/1	2/2
Andrew Dagley	3/3	1/1	–	–
Graham Reid	4/4	1/1	1/1	2/2

Corporate Governance Report

continued

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 the Audit Committee, Remuneration Committee or Technology Committee, however they attend meetings as deemed appropriate by the Committee Chairs.

Audit Committee

Chairman: John Woodley

Members: Duncan Black and Andrew Dagley (resigned 19 August 2022)

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.

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 four times during the course of 2022 and once 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 17 to 19.

Remuneration Committee

Chairman: John Woodley

Members: Duncan Black and Andrew Dagley (resigned 19 August 2022)

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 once during the course of 2022.

The Directors' Remuneration Report from the Remuneration Committee is set out on pages 20 to 23.

Corporate Governance Report

continued

Nomination Committee

Chairman: Duncan Black

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. During 2022, the committee met once to consider the appointment of the Chief Financial Officer, with no other business to consider in the year.

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.

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 is one of the factors that will be taken into consideration when appointing new directors.

An evaluation of the effectiveness and performance of the Board and its Committees was not carried out in 2022 but one will be carried out in 2023 with leadership from the Nomination Committee.

Technology Committee

Chairman: John Woodley

Members: Duncan Black

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 twice during the year.

Internal Controls and 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.

Corporate Governance Report

continued

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

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

Our People

Our people are integral to our success and their fulfillment and development is core to our people proposition.

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 Company has developed and implemented a Business Ethics Policy which provides a framework and guidance on its approach to achieving and maintaining good business behaviour by means of sound ethical conduct.

Shareholder Engagement

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

A range of corporate information is also available to shareholders, investors and the public on the Company's website www.saerenewables.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 currently holds 29.7% of the Company's share capital, entered into a relationship agreement, the principal purpose of which is to ensure that the Company is capable at all times of carrying on its business independently of SIMEC and its connected persons and to ensure all transactions and relationships between them and the Group are conducted at arm's length and on normal commercial terms. Whilst this agreement has now terminated as a result of SIMEC's shareholding falling below 30%, key provisions of the agreement survive the termination.

By order of the Board of Directors

Duncan Black

Chairman of the Board

25 July 2023

Audit Committee Report

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 two 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 13.

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 four occasions during the year and once 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

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.

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.

Our 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 2022 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 once prior to the year-end (and once 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 longer-term viability – the Audit Committee reviewed the current liquidity position, Management's financial forecasts including stress testing of potential risks, and Management's conclusions that there is 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 2022 regarding the Group's going concern and future viability were balanced and understandable.
- Carrying value of property, plant and equipment – the review for impairment of property, plant and equipment is 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 inherent uncertainty within any financial projection. The Audit Committee evaluated a paper from Management on the results of the impairment assessment. Key assumptions were reviewed and challenged by the 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

continued

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 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 2022 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 have expressed their intention to resign and not seek re-appointment, although will stay in office until such time as a replacement auditor is appointed. The Audit Committee will oversee the process to identify a suitable replacement Independent Auditor for the Company for recommendation to the Board for its appointment.

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.saerenewables.com.

John Woodley

Chairman of the Audit Committee

25 July 2023

Directors' Remuneration Report

This report includes details of the Directors' remuneration in 2022. 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 14.

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	
	At beginning of the year	At end of the year
Ordinary shares		
Duncan Black	1,042,419	1,042,419
Simon Hirst	82,034	82,034

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

There have been no payments made to past directors during the year.

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 2022 and 31 December 2021. This includes any pension and employer's National Insurance contributions and excludes share-based payments.

Director	Annual Remuneration	
	2022 £'000	2021 £'000
John Neill ⁽³⁾	–	55
John Woodley ⁽²⁾	44	39
Andrew Dagley ⁽⁶⁾	21	119
Mark Elborne ⁽⁴⁾	–	32
Duncan Black	72	48
Tim Cornelius ⁽¹⁾	–	72
Graham Reid ⁽¹⁾	349	290
Andrew Charters ⁽⁵⁾	50	13
Simon Hirst ⁽⁷⁾	137	–

- (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 employed by Atlantis Resources (Scotland) Limited.
- (2) John Woodley was 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 and resigned on 25 April 2022.
- (6) Andrew Dagley resigned from the Board on 19 August 2022.
- (7) Simon Hirst was appointed to the Board on 25 April 2022.

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 follows:

Date of grant / modification	Balance at 1.1.2022	Granted	Exercised	Cancelled / lapsed	Balance at 31.12.2022	Exercise price per share	Exercisable period
01.01.2016	150,000	–	–	(150,000)	–	£0.50	01.01.2016 to 01.01.2026
30.09.2016	250,000	–	–	(250,000)	–	£0.50	30.09.2016 to 30.09.2026
15.06.2018	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	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	1,000,000	–	–	–	1,000,000	£0.25	04.01.2021 to 04.01.2031
05.02.2021	2,000,000	–	–	(100,000)	1,900,000	£0.25	05.02.2021 to 05.02.2031
19.03.2021	1,250,000	–	–	–	1,250,000	£0.20	19.03.2021 to 19.03.2031
31.12.2021	20,300,000	–	–	(7,750,000)	12,550,000	£0.02	31.12.2021 to 31.12.2031
28.04.2022	–	1,500,000	–	–	1,500,000	£0.02	28.04.2022 to 28.04.2032
31.10.2022	–	1,000,000	–	–	1,000,000	£0.01	31.10.2022 to 31.10.2032
Total	25,785,480	2,500,000	–	(8,710,000)	19,575,480		

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.

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

Name	Date of grant	Ordinary shares	Nature of award	Exercise price	Vesting period
Simon Hirst	10 November 2016	14,285	Option	£0.70	3 years from grant
Simon Hirst	19 August 2019	50,000	Option	£0.20	3 years from grant
Simon Hirst	25 March 2021	111,111	Option	£0.09	3 years from grant

Directors' Remuneration Report

continued

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

Date of grant / modification	Balance at 1.1.2022	Granted	Exercised	Cancelled / lapsed	Balance at 31.12.2022	Exercise price per share	Exercisable period
10.11.2016	285,700	–	–	(228,560)	57,140	£0.70	11.11.2016 to 11.11.2026
19.08.2019	2,100,000	–	–	(1,650,000)	450,000	£0.20	19.08.2019 to 19.08.2029
25.03.2021	4,666,662	–	–	(3,111,108)	1,555,554	£0.09	25.03.2021 to 25.03.2031
Total	7,052,362	–	–	(4,989,668)	2,062,694		

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, there were no unissued shares of any corporation in the Group under option.

Shareholder Vote at the Annual General Meeting

The 2022 Directors' Remuneration Report will be put to an advisory shareholder vote at the 2023 AGM.

The 2021 Directors' Remuneration Report was approved by shareholders at the Company's AGM held on 18 August 2022.

Approved and signed on behalf of the Board.

John Woodley

Chairman of the Remuneration Committee

25 July 2023

Directors' Responsibility Statement

We are pleased to submit this Annual Report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2022.

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 2022 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

25 July 2023

Graham Reid
Chief Executive Officer

25 July 2023

Independent Auditor's Report to the Members of Simec Atlantis Energy Limited (Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Simec Atlantis Energy Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated financial position of the Group and the statement of financial position of the Company as at 31 December 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis of Opinion

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

Material Uncertainty Related to Going Concern

4. We draw your attention to Note 3(a) to the financial statements; for the year ended 31 December 2022, the Group incurred a loss for the year of £11,060,000 (2021: loss of £71,594,000) and net cash flows used in operating activities was £5,528,000 (2021: £6,658,000). Furthermore, as at 31 December 2022, the Group and Company are in a net current liability position of £15,737,000 and £6,196,000 respectively (2021: £7,143,000 and £6,285,000 respectively).
5. The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.
6. As disclosed in Note 3(a), the ability of the Group and the Company to continue as a going concern is dependent on the following factors:
 - a. Subsequent to the year end, the Group has successfully delivered their first Battery Energy Storage System ("BESS") project. The Group is in the process of securitising the rental income stream over the 30 years life of the project. At the date of this Report, the Group has received an offer with regard to the securitisation of this income, and is targeting to finalise the transaction by end of 2023;
 - b. Heads of Terms for a land lease option with a developer for a second BESS project have been agreed. Management expects to complete the project in 2024;
 - c. Repayment of two of the Group's Bonds were deferred to March and June 2024 respectively. Management may either repay the bonds, extend the repayment date or refinance the bonds with new debt;
 - d. Repayment of the grant funding from the EU of £3.4 million. Management is of the view that they have sufficient grounds to dispute the repayment of this amount and in the event, they are unsuccessful, the Group will be able to negotiate a suitable repayment plan.

Independent Auditor's Report to the Members of Simec Atlantis Energy Limited (Incorporated in Singapore)

continued

7. In the event the Group is unable to successfully conclude the abovementioned mitigating actions on a timely basis, and generate sufficient cash flows necessary to sustain the Group's operations, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently stated in the consolidated statement of financial position of the Group and the statement of financial position of the Company. No such adjustments have been made to these financial statements.
8. Our opinion is not modified in respect of this matter.

Key Audit Matters

9. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming an opinion thereon and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matters
Impairment assessment of property, plant and equipment ("PPE") and investment in subsidiaries We refer to Note 3(i) under "Summary of Significant Accounting Policies" and Note 4(a) under "Critical Accounting Judgements and Key Sources of Estimation Uncertainty" and Notes 11 and 14 to the consolidated financial statements. As at 31 December 2022, the carrying amount of the Group's PPE was £74,455,000 which accounted for 88% of the Group's total assets. The Company has investment in subsidiaries amounting to £11,220,000, representing 93% of its total assets. Management reviews for any indicators of impairment and where such an indicator exists, the carrying amount of the Group's PPE and the Company's investment in subsidiaries is compared against their recoverable amount. Management prepared value in use ("VIU") calculations to determine the recoverable amounts of the Group's PPE and the Company's investment in subsidiaries. Based on the impairment assessment prepared by management, there was a write back of a previously recognised impairment loss on PPE of £2,000,000 with respect to the Uskmouth Cash Generating Unit ("CGU"). There was an impairment loss of £7,994,000 recognised with respect to the Company's investment in subsidiaries. We focus on this area because the assessments made by management involved the use of significant judgements and estimates over the impairment indicators and in the determination of the recoverable amounts of PPE and investment in subsidiaries.	Our response In obtaining sufficient audit evidence, the following procedures were carried out: ● Evaluated management's assumptions and estimates applied in the cash flow forecast taking into consideration our knowledge of the operations and historical performance of the relevant CGU's. ● Reviewed the reasonableness of key assumptions and inputs used in the discounted cash flow forecast; and ● Checked the mathematical accuracy of the underlying calculation. We found the underlying key assumptions and inputs used by management in the discounted cash flow forecast of the relevant CGU's to be within a reasonable range.

Independent Auditor's Report to the Members of Simec Atlantis Energy Limited (Incorporated in Singapore)

continued

Other Matter

Disclaimer of Opinion in respect of the consolidated financial statements for the year ended 31 December 2021.

10. Our audit report on the consolidated financial statements for the year ended 31 December 2021 included a disclaimer of opinion with respect to the preparation of the consolidated financial statements on a going concern basis. An update of the disclaimer opinion in respect of the going concern of the Group and the Company is disclosed in the *Material Uncertainty Related to Going Concern* section above.

Other Information

11. Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.
12. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion there on.
13. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

14. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I) and IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.
15. In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and the 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.
16. The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

17. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report to the Members of Simec Atlantis Energy Limited (Incorporated in Singapore)

continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
19. We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
20. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
21. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

22. In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.
23. 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

25 July 2023

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	5	3,902	7,511
Other income	6	4,560	1,789
		8,462	9,300
Employee benefits expense	7	(2,484)	(5,793)
Subcontractor costs		(5,442)	(6,562)
Depreciation and amortisation	11 - 13	(3,275)	(10,656)
Reversal of impairment loss/ (impairment loss) on property, plant and equipment	11	2,000	(45,312)
Impairment loss on intangible assets	12	–	(7,836)
Other operating expenses		(3,682)	(4,279)
Share of loss of equity-accounted investees	15	(28)	(106)
Total operating expenses before non-recurring items		(12,911)	(80,544)
Loss on impairment of investment in joint venture	15	(377)	(890)
(Loss)/Gain on disposal of subsidiaries	14	(2,232)	1,502
Results from operating activities		(7,058)	(70,632)
Finance costs	8	(4,021)	(3,450)
Loss before income tax		(11,079)	(74,082)
Income tax credit	9	19	2,488
Loss for the year	10	(11,060)	(71,594)
Other comprehensive (loss)/income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
- Exchange differences on translation of foreign operations		(63)	41
Total comprehensive loss for the year		(11,123)	(71,553)
Loss for the year attributable to:			
Owners of the Company		(9,649)	(67,623)
Non-controlling interests		(1,411)	(3,971)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(9,712)	(67,582)
Non-controlling interests		(1,411)	(3,971)
Loss per share:			
Basic and diluted loss per share	23	(0.01)	(0.12)

The accompanying notes form an integral part of the financial statements

Statements of Financial Position

As at 31 December 2022

		Group		Company	
	Note	2022 £'000	2021 £'000	2022 £'000	2021 £'000
ASSETS					
Non-Current Asset					
Property, plant and equipment	11	74,455	76,796	—	—
Intangible assets	12	1,465	4,178	—	153
Right of use assets	13	1,331	779	—	—
Investments in subsidiaries	14	—	—	11,220	19,096
Investments in joint ventures and other investments	15	133	405	—	—
Loans receivable	16	258	592	258	592
		77,642	82,750	11,478	19,841
Current Assets					
Trade and other receivables	17	3,326	1,348	365	111
Cash and cash equivalents	18	3,701	3,771	172	2,444
		7,027	5,119	537	2,555
Total Assets		84,669	87,869	12,015	22,396
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	19	201,496	201,496	201,496	201,496
Capital reserve	20	12,665	12,665	—	—
Translation reserve	21	7,058	7,121	(227)	(227)
Share option reserve	22	420	576	420	576
Accumulated losses		(216,285)	(206,910)	(196,845)	(188,712)
Total equity attributable to owners of the Company		5,354	14,948	4,844	13,133
Non-controlling interests	14	328	1,739	—	—
		5,682	16,687	4,844	13,133
LIABILITIES					
Non-current Liabilities					
Lease liabilities	13	1,000	697	—	—
Provisions	24	12,581	13,546	—	—
Loans and borrowings	25	41,890	43,906	438	423
Deferred tax liabilities	26	752	771	—	—
		56,223	58,920	438	423
Current Liabilities					
Lease liabilities	13	296	62	—	—
Provisions	24	—	172	—	30
Loans and borrowings	25	15,895	4,914	82	95
Trade and other payables	27	6,573	7,114	6,651	8,715
		22,764	12,262	6,733	8,840
Total Liabilities		78,987	71,182	7,171	9,263
Total Equity and Liabilities		84,669	87,869	12,015	22,396

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

For the financial year ended 31 December 2022

	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
Group									
At 1 January 2022		201,496	12,665	7,121	576	(206,910)	14,948	1,739	16,687
Loss for the financial year		–	–	–	–	(9,649)	(9,649)	(1,411)	(11,060)
Other comprehensive loss		–	–	(63)	–	–	(63)	–	(63)
Total comprehensive loss for the financial year		–	–	(63)	–	(9,649)	(9,712)	(1,411)	(11,123)
Transactions with owners, recognised directly in equity									
Recognition of share-based payments	22	–	–	–	118	–	118	–	118
Cancellation of share options	22	–	–	–	(274)	274	–	–	–
Total transactions with owners		–	–	–	(156)	274	118	–	118
At 31 December 2022		201,496	12,665	7,058	420	(216,285)	5,354	328	5,682
At 1 January 2021									
		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	19	6,121	–	–	–	–	6,121	–	6,121
Recognition of share-based payments	22	–	–	–	343	–	343	–	343
Transfer between reserves	22	–	–	–	(554)	554	–	–	–
Total transactions with owners		6,121	–	–	(211)	554	6,464	–	6,464
At 31 December 2021		201,496	12,665	7,121	576	(206,910)	14,948	1,739	16,687

	Note	Share capital £'000	Translation reserve £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000
Company						
At 1 January 2022		201,496	(227)	576	(188,712)	13,133
Loss for the financial year		–	–	–	(8,407)	(8,407)
Other comprehensive loss		–	–	–	–	–
Total comprehensive loss for the financial year		–	–	–	(8,407)	(8,407)
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	22	–	–	118	–	118
Transfer between reserves	22	–	–	(274)	274	–
Total transactions with owners		–	–	(156)	274	118
At 31 December 2022		201,496	(227)	420	(196,845)	4,844
At 1 January 2021						
		195,375	(227)	787	(80,238)	115,697
Loss for the financial year		–	–	–	(109,029)	(109,029)
Other comprehensive loss		–	–	–	–	–
Total comprehensive loss for the financial year		–	–	–	(109,029)	(109,029)
Transactions with owners, recognised directly in equity						
Issue of ordinary shares, net of issue costs	19	6,121	–	–	–	6,121
Recognition of share-based payments	22	–	–	344	–	344
Transfer between reserves	22	–	–	(555)	555	–
Total transactions with owners		6,122	–	(211)	555	6,465
At 31 December 2021		201,496	(227)	576	(188,712)	13,133

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash Flows from Operating Activities			
Loss before income tax		(11,079)	(74,082)
Adjustments for:			
Grants income	6	(56)	(402)
Depreciation of property, plant and equipment	11,13	3,237	8,972
Amortisation of intangible assets	12	38	1,684
Interest income	6	(58)	–
Finance costs	8	4,021	3,450
Share-based payments	7	118	343
(Reversal of)/ Impairment loss on property, plant & equipment	11	(2,000)	45,312
Impairment loss on intangible assets	12	–	7,836
Impairment loss on investment in joint venture		377	–
Movement in provisions	24	(13)	223
Loss on write down of current assets		–	890
Loss/(Gain) on sale of subsidiaries	14	2,232	(1,502)
Share of loss of joint venture	15	28	106
Net foreign exchange		122	194
Operating cash flow before working capital changes		(3,033)	(6,976)
Changes in working capital:			
Movements in trade and other receivables		(1,978)	1,169
Movements in trade and other payables		(541)	(851)
Interest received		24	–
Net cash used in operating activities		(5,528)	(6,658)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		–	(1,542)
Disposal of fixed assets		–	(21)
Proceeds from grants received		–	296
Loan to joint venture	16	(194)	(544)
Net cash from disposal of subsidiaries	14	570	3,104
Net cash generated from investing activities		376	1,293
Cash Flows from Financing Activities			
Proceeds from grants received		56	402
Proceeds from issue of shares	19	–	2,600
Share issuance cost	19	–	(203)
Proceeds from borrowings	25	8,500	2,000
Repayment of borrowings	25	(2,027)	(55)
Loan to related party	16	–	(258)
Interest paid	25	(1,203)	(1,096)
Payment of lease liabilities	13	(308)	(214)
Deposits (pledged)/released	18	(5)	732
Net cash generated from financing activities		5,013	3,908
Net decrease in cash and cash equivalents		(139)	(1,457)
Cash and cash equivalents at the beginning of the financial year		3,004	4,315
Effect of foreign exchange rates on the balance of cash held in foreign currencies		64	146
Cash and cash equivalents at the end of the financial year	18	2,929	3,004

The accompanying notes form an integral part of the financial statements

Notes to the Financial Statements

For the financial year ended 31 December 2022

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 activities of the Group are being a developer, owner and operator of sustainable energy projects. The Company has been transformed into a renewable development and operating company, retaining the key MeyGen tidal site asset and the Uskmouth sustainable energy park.

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 2022 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 2022, 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:	
● IAS 1: <i>Presentation of Financial Statements (Disclosure of Accounting Policies and IFRS Practice Statement 2 Making Materiality Judgements)</i>	1 January 2023
● IAS 8: <i>Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)</i>	
● IAS 12: <i>Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)</i>	
● IAS 12: <i>Income Taxes (International Tax Reform)</i>	
Amendments to:	
● IAS 1: <i>Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)</i>	1 January 2024
● IAS 1: <i>Presentation of Financial Statements (Non-current Liabilities with Covenants)</i>	
● IAS 7: <i>Financial Instruments: Disclosures (Supplier Finance Arrangements)</i>	
● IFRS 16: <i>Leases (Lease Liability in a Sale and Leaseback)</i>	
● IFRS S1: <i>General Requirements for Disclosure of Sustainability-related Financial Information</i>	
● IFRS S2: <i>Climate-related Disclosures</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

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 July 2024.

The Board of Directors has undertaken the assessment of the going concern assumptions using financial forecasts for the period to 31 July 2024. 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 2024.

In previous years, the Company satisfied its short and medium-term funding requirements through a combination of equity and debt. Management's forecasts through to 31 July 2024 anticipate revenues from trading will increasingly meet the working capital requirements of the Group.

Details of the Group's loans and borrowings at year end can be found in Note 25 of the financial statements. As at the 31 December 2022 there were no undrawn loan facilities.

Going concern assessment

Management has prepared a forecast through to 31 July 2024 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' assessment of the appropriate use of the going concern basis included the following factors:

- Repayment of the Abundance bond principals falling due in March 2024 and June 2024. During the going concern period, £4.97 million of Abundance Bonds are repayable in March 2024 with a further £4.95 million repayable in June 2024. The Company may either seek to repay the bonds, extend the repayment date of the bonds or refinance the bonds with new debt. Failure to repay the principal repayments on these bonds would put the Group in a position where it would default on the bonds.
- Timing of the potential repayment of historical grant funding of an amount of £3.4 million as reported in previous year. The Board are of the view that there are grounds for disputing any clawback of this grant and the Company has evidence to support this position. 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 creditor, if the creditor monies were to be required to be repaid in full in the going concern period, this could lead to a £3.4 million reduction in liquidity in the going concern period.

Mitigating actions

In the event that cashflows are limited due to delays in the BESS project, delays or failure to monetise the rental income related to the lease from the Battery Energy Storage System project at Uskmouth (see below), failure to agree debt repayment deferrals with Abundance or refinance the bonds, or a requirement to repay historical grant funding coupled with then a failure to agree an appropriate repayment plan with the creditor, 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.

Notes to the Financial Statements

continued

The Board has identified significant factors that are of a material amount as outlined above, and the Board has identified sufficient evidence of success that includes achievable new sources of revenue that mitigates against the existence of material uncertainties about the Group's ability to continue as a going concern. The evidence is summarised as follows:

- Delivery of the first Battery Energy Storage System project at Uskmouth:
 - Receipt of a £10 million development premium for the rights to the project in July 2023.
 - An agreement for a 30-year land lease signed 20 June 2023
 - Market evidence of the feasibility of monetising the rental income from the lease. At the date of approval of the financial statements, the Group has received an offer for consideration, and is targeting to finalise the transaction by the end of 2023.
- Market evidence and engagement with other battery energy storage project developers for new battery developments at the sustainable energy park:
 - Heads of Terms for a land lease option are agreed with a developer for a 120 MW battery energy storage system, with a targeted completion date in 2024. The pre-application consultation for this project has been completed.

The recent successes achieved at Uskmouth provides considerable confidence to the Board of Directors for further planned development of the sustainable energy park.

Going concern conclusion

Accordingly, the Board of Directors concluded that it is appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements. The Board of Directors have a reasonable expectation that the Company and the Group will each continue to operate as a going concern for at least 12 months from the date of approval of the financial statements.

(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.

(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.

Notes to the Financial Statements

continued

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

Income and expense transactions are translated at the average exchange rates for the period, where average rates are a reasonable approximation of actual rates.

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

(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.

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.

Notes to the Financial Statements

continued

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

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).

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

Notes to the Financial Statements

continued

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 (p)).

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

continued

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:

Plant, property and equipment	–	4% - 7%
Furniture, fixtures and equipment	–	25% - 33%
Computer equipment and software	–	25% - 33%
Power plant	–	2% - 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

continued

Amortisation

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

(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 22. 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

continued

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

continued

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

continued

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:

Notes to the Financial Statements

continued

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 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 weighted sensitised cash flows using a weighted average cost of capital ranging from 8% to 10% (2021: 8% to 12%). Capital costs for the subsequent phases of the MeyGen project are based upon 3rd party quotes for the capital cost of developing the 28 MW Phase 2 array. Operating and maintenance costs are based upon experience gained from the operation of Phase 1a of MeyGen since 2018.

Following the Company's announcement on 28 April 2022 that the Company would no longer pursue the conversion of the Uskmouth Power Station from coal to use a waste-derived fuel pellet, the Company has instead aggressively pursued its new strategy to create a sustainable energy park at the site, culminating in the sale of the Uskmouth Power Station grid connection and the award of a land lease for the first Battery Energy Storage Project (BESS) to be built on the site. Two other BESS projects at the site are being discussed with other developers and the opportunities for BESS projects now form the basis for the value in use calculations at Uskmouth.

The key assumptions used to determine the Uskmouth project's value-in-use are the up-front project development costs necessary for a parcel of land to be "ready to build", the £/MW development premium received when the site is sold to a developer, the £/MW lump sum receivable from monetising recurring rental income from the land, and the discount rate to calculate present values. The financial model used to calculate the value-in-use is based on probability and risk weighted sensitised cash flows.

The recoverable amounts for the MeyGen project were determined to be equal to the carrying value of its property, plant and equipment and as a result no change to the carrying value was required. The recoverable amounts for Uskmouth were determined to be in excess of the carrying values of the property, plant and equipment and as a result an increase of £2 million to the value in use was recognised in 2022 (Note 11).

In testing the investment in subsidiaries for impairment, using the methodology outlined above, the value of the investments was determined to equal their carrying value and as a result no change to the investment 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 key assumptions used to determine the value-in-use of the Tidal Data asset is the expected capital costs of the MeyGen tidal stream array, 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 10% (2021: 8% to 12%). Capital and operating and maintenance costs are based upon experience gained from the development and fully operational

Notes to the Financial Statements

continued

phase of MeyGen 1A. Estimated savings have been factored in to take account of scaling up both the capacity and numbers of the turbines needed for the development of the entire project.

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 2043. The original provision was recognised on acquisition of the Uskmouth Power Station in 2018 and conversion of the financial statements to IFRS and updated as of 31 December 2022 based on latest estimates.

5 Revenue

	Group	
	2022 £'000	2021 £'000
Consulting fees recognised over the year	–	3,567
Operation and Maintenance Contracts	–	2,316
Power sales	3,902	1,628
	3,902	7,511

Consulting fees in 2021 were earned on the Japan tidal turbine contract delivered by the Company's subsidiary, Atlantis Operations (UK) Limited. Operation and Maintenance contract income in 2021 was received from providing O&M services to hydropower plants delivered by Green Highland Renewables Ltd, a subsidiary sold in the year ended December 2021. Power sales is the income received from electricity generation at the MeyGen Phase 1a array and includes the associated revenue from renewable obligation certificates ("ROCs").

6 Other income

	Group	
	2022 £'000	2021 £'000
Interest income	58	–
Grant income	56	402
Income generated from sale of consumable goods and scrap items	2,142	–
Insurance proceeds	1,007	315
Other income	1,297	1,072
	4,560	1,789

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

7 Employee benefits expense

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

	Group	
	2022 £'000	2021 £'000
Average number of employees (including Executive Directors)	22	81

Notes to the Financial Statements

continued

Their aggregate remuneration comprised:

	Group	
	2022 £'000	2021 £'000
Wages, salaries and other short-term benefits	1,938	4,482
Social security costs	228	419
Share-based payments (Note 22)	118	343
Contributions to defined contribution plan	198	476
Other related costs	2	73
	2,484	5,793

During 2022, the Group received £Nil million (2021 - £0.06m) under the UK government COVID-19 furlough scheme.

8 Finance costs

	Group	
	2022 £'000	2021 £'000
Interest expense arising from:		
- long term loans	845	586
- secured long term loans	1,630	1,302
- long term debentures	1,101	1,096
- lease liabilities	80	94
Unwinding of discount on decommissioning provision	161	107
Other finance costs	204	265
	4,021	3,450

9 Tax credit

	Group	
	2022 £'000	2021 £'000
Tax Credit	19	2,488

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 in 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% (2021: 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% (2021: 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

continued

	Group	
	2022 £'000	2021 £'000
Reconciliation of effective tax rate		
Loss before tax	(11,079)	(74,082)
Tax at the domestic rates		
applicable to losses in the country concerned	(2,105)	(14,076)
Non-allowable items at rates concerned	1,119	12,351
Non-taxable income at rates concerned	(52)	(66)
Tax effect of deferred tax asset not recognised	1,038	1,795
Tax effect of unwinding deferred tax	19	196
Tax effect of asset impairment on deferred tax	–	3,310
Tax effect of rate change on deferred tax (Note 26)	–	(1,022)
	19	2,488

At the end of the reporting period, the Group has unutilised tax losses of £ 172.3 million (2021: £171.3 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 (2021: £31.3 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 (2021: £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	
	2022 £'000	2021 £'000
Depreciation of property, plant and equipment	3,217	8,734
Depreciation of right-of-use assets	20	238
Amortisation of intangible assets	38	1,684
(Reversal of)/ Impairment loss on property, plant and equipment	(2,000)	45,312
Impairment of intangible assets	–	7,836
Auditor's remuneration:		
- Audit and audit related fees	190	186
Share-based payments	118	344
Loss/(Gain) on sales of subsidiaries	2,232	(1,502)
Net foreign exchange losses	122	191

Notes to the Financial Statements

continued

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
Group								
Cost								
At 1 January 2021	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
Additions	–	–	137	–	–	–	(1,261)	(1,124)
At 31 December 2022	20	–	68,960	17	–	87	83,797	152,881
Accumulated depreciation								
At 1 January 2021	–	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
Depreciation for the year	–	–	2,125	–	–	12	1,080	3,217
Reversal of impairment loss	–	–	–	–	–	–	(2,000)	(2,000)
At 31 December 2022	–	–	26,347	17	–	84	51,978	78,426
Net book value								
At 31 December 2021	20	–	44,601	–	–	15	32,160	76,796
At 31 December 2022	20	–	42,613	–	–	3	31,819	74,455

(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 was recognised in 2021, reflecting operational difficulties with the turbines during 2021 and a cautious approach to the pace of future development of the MeyGen site. No further impairment is considered necessary in 2022.

(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. At 31 December 2022, a partial reversal of prior year's impairment loss has been recognised in the year for £2.0m due to a favourable change identified in the opportunity for future Battery Energy Storage Systems (BESS) projects. In 2021, a value-in-use calculation recognised an impairment charge of £32.1 million as a result of the decision taken by the Board to withdraw from the Uskmouth Power Station conversion project and to develop the site as a sustainable energy park. In 2022, a credit of £1.3m has been recognised as a result of a movement in the decommissioning provision in Note 24.

(c) Security

At 31 December 2022, assets of subsidiaries with carrying amounts of £75.7 million (2021: £76.8 million) were pledged as security on long term loans (Note 25). At 22 June 2023 a security held over the Powerplant assets with a carrying value of £33.1 million was released.

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
Group						
Cost						
At 1 January 2021	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
Disposal	–	(3,133)	–	–	–	(3,133)
At 31 December 2022	8,223	–	15,996	1,465	–	25,684
Accumulated depreciation						
At 1 January 2021	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
Exchange differences	–	–	(29)	–	–	(29)
At 31 December 2021	8,223	420	15,996	–	–	24,639
Amortisation for the year	–	38	–	–	–	38
Disposal	–	(458)	–	–	–	(458)
At 31 December 2022	8,223	–	15,996	–	–	24,219
Net book value						
At 31 December 2021	–	2,713	–	1,465	–	4,178
At 31 December 2022	–	–	–	1,465	–	1,465
		Intellectual property £'000	Development costs £'000			Total £'000
Company						
Cost						
At 1 January 2021 and 31 December 2021			573	3,347		3,920
Disposal			(573)	–		(573)
At 31 December 2022			–	3,347		3,347
Accumulated depreciation						
At 1 January 2021			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
Amortisation for the year			38	–		38
Disposal			(458)	–		(458)
At 31 December 2022			–	3,347		3,347
Net book value						
At 31 December 2021			153	–		153
At 31 December 2022			–	–		–

Notes to the Financial Statements

continued

(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.

In 2021 the Directors reviewed the future cashflows expected to arise from the Global Technology Licence and concluded that a full impairment of the asset was required.

(b) Intellectual property

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

During the year, the intellectual property relating to the turbine technology was sold.

(c) Development costs

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

In 2021, the Directors reviewed the future cashflows expected to arise as a result of these tidal turbine related development costs and concluded that a full impairment of the asset should be recognised.

(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.

13 Leases

As a lessee

The Group has lease contracts for land, buildings and the seabed at the MeyGen site. Those leases have lease terms of between 1 and 100 years. Land and buildings have a remaining useful life between 1-92 years.

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

	Land and buildings £'000
Group	
At 1 January 2021	1,739
Depreciation expense	(238)
Adjustments	79
Disposals	(801)
At 31 December 2021	779
Depreciation expense	(20)
Additions	194
Adjustments	378
At 31 December 2022	1,331

Notes to the Financial Statements

continued

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

	Group	
	2022 £'000	2021 £'000
At 1 January	759	1,677
Additions	194	–
Accretion of interest	80	94
Payments	(308)	(214)
Adjustments	571	39
Disposals	–	(837)
At 31 December	1,296	759
Current	296	62
Non-current	1,000	697
	1,296	759

The maturity analysis of lease liabilities is disclosed in Note 31(b).

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

	Group	
	2022 £'000	2021 £'000
Depreciation expense of right-of-use assets	20	238
Interest expense on lease liabilities	80	94
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	106	338

The Group had total cash outflows for leases of £0.3 million (2021: £0.2 million). The Group had no non-cash additions to right-of-use assets and lease liabilities (2021: £Nil 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	
	2022 £'000	2021 £'000
Fixed rent	12	12
Variable payment	50	2
	62	14

Overall, the variable payments constitute 16% (2021: 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 £2,500 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	
	2022 £'000	2021 £'000
Within one year	—	—
Between two and five years	—	—
More than five years	95	96
	95	96

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	
	2022 £'000	2021 £'000
Unquoted equity shares, at cost	63,455	63,337
Less: Impairment loss	(52,235)	(44,241)
	11,220	19,096

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	
			2022 %	2021 %
Held by the Company				
Atlantis Turbines Pte. Limited ⁽³⁾	Investment holding	Singapore	100	100
Atlantis Projects Pte. Ltd. ⁽³⁾	Investment holding	Singapore	100	100
Atlantis Resources (Gujarat Tidal) Pte Limited ⁽¹⁾⁽⁶⁾	Dormant	Singapore	50	50
ARC Operations Pty Limited ⁽⁴⁾	Provision of operational services to the Group	Australia	100	100
Atlantis Resources (Scotland) Limited ⁽⁵⁾	Provision of project management and consulting services	United Kingdom	100	100
Atlantis Ocean Energy PLC ⁽⁵⁾	Financial services	United Kingdom	100	100
Atlantis Future Energy PLC ⁽⁵⁾	Financial services	United Kingdom	100	100
SIMEC Uskmouth Power Limited ⁽⁵⁾	Development of renewable energy generation project	United Kingdom	100	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	
			2022 %	2021 %
Held by				
Atlantis Projects Pte. Ltd,				
Tidal Power Scotland Limited ⁽⁵⁾	Investment holding	United Kingdom	92	92
Stroma Tidal Power Limited ⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Wide Range Developments Limited	Investment Holding	United Kingdom	—	100
Held by				
Tidal Power Scotland Limited				
MeyGen Holdings Limited ⁽⁵⁾	Investment holding	United Kingdom	83	83
Islay Holding Limited ⁽⁵⁾	Investment holding	United Kingdom	100	100
Duncansby Tidal Power Limited ⁽¹⁾	Dormant	United Kingdom	100	100
Held by				
MeyGen Holdings Limited				
MeyGen PLC ⁽²⁾⁽⁵⁾	Development of tidal power generation project	United Kingdom	100	100
Held by				
Islay Holding Limited				
Islay Tidal Power Limited ⁽¹⁾	Development of tidal power generation project	United Kingdom	100	100
Held by				
Atlantis Turbines Pte Limited				
Atlantis Operations (UK) Limited ⁽⁵⁾	Provision of operational services to the Group	United Kingdom	100	100
Marine Current Turbines Limited ⁽⁵⁾	Development of turbines and projects	United Kingdom	100	100
Held by				
Atlantis Operations (UK) Limited				
Atlantis Operations Japan Good Kaisha	Provision of operational services to the Group	United Kingdom	—	100
Held by				
Marine Current Turbines Limited				
Sea Generation Limited ⁽¹⁾	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 2022 and 31 December 2021, shares in MeyGen PLC were pledged as security on long term loans (see Note 25).

(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.

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 investment in Atlantis Operations (UK) Limited should be impaired in full. In addition, the investment in SIMEC Uskmouth Power Limited was impaired by £7.3 million (2021: £39.6 million), reducing the carrying value to £10.8 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 £117,924 (2021: £343,890).

(c) Non-Controlling Interest in subsidiaries

Tidal Power Scotland Limited ("TPSL")

As at 31 December 2022, Scottish Power Renewables ("SPR") has an equity investment of 6% of the shareholding in TPSL.

The Group retains a 92% (2021: 92%) shareholding of TPSL.

MeyGen Holdings Limited ("MGHL")

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	
	2022 £'000	2021 £'000
NCI percentage	23.22%	23.22%
Non-current assets	44,280	46,864
Current assets	3,535	1,698
Non-current liabilities	(45,422)	(38,685)
Current liabilities	(978)	(2,387)
Net assets	1,415	7,491
Net assets attributable to NCI	328	1,739
Cash flows from/(used in) operating activities	1,866	(1,363)
Cash flows (used in)/from investing activities	(345)	296
Cash flows used in financing activities	(995)	(60)
Net increase/(decrease) in cash and cash equivalents	526	(1,127)
Loss for the year	(6,075)	(17,093)
Total comprehensive income	(6,075)	(17,093)
Attributable to NCI:		
Loss for the year	(1,411)	(3,971)
Total comprehensive income	(1,411)	(3,971)

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:

	£'000
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

(e) Disposal of Wide Range Developments Limited (WRDL) and Atlantis Operations Japan Good Kaisha (AOJ)

On 19 October 2022 the Group disposed of its tidal turbine development business including the entire shareholding in WRDL and AOJ, an investment holding company and a company that provided operational services, for a cash consideration of £0.6 million. The Group recognised a loss on disposal of £2.4 million as a non-recurring item in the consolidated income statement. Following the disposal, WRDL and AOJ ceased to be subsidiaries of the Group.

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

	£'000
Cash and cash equivalents	1
Intangible assets	2,675
Current assets	166
Other payables and liabilities	(776)
Net assets disposed	2,066
Net fair value adjustments disposed	870
Loss on disposal of a subsidiary	(2,232)
Total consideration from disposal of a subsidiary	704
Less: Cash and cash equivalents from disposed subsidiary	(1)
Less: Receipt of shares in other investment	(133)
Net cash inflow on disposal of subsidiaries and business	570

Notes to the Financial Statements

continued

15 Investment in joint ventures and other investments

	Group	
	2022 £'000	2021 £'000
Investment in joint ventures, at cost	405	511
Investment in other investment, at cost	133	–
Share of post-acquisition results	(28)	(106)
Loss on impairment of investment in joint venture	(377)	–
	133	405

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

Name of entity	Principal activities	Nature of relationship	Country of incorporation/ registration and operation	Effective equity interest held by the Company	
				2022 %	2021 %
NPA Fuels Ltd ⁽¹⁾	Marketing, production and delivery of waste derived fuel pellets	Joint Venture	United Kingdom	50	50
Normandie Hydroliennes ⁽²⁾	Development of tidal power generation project	Joint Venture	France	–	51
Proteus Marine Renewables Limited	Development of Tidal turbine technology	Other investment	United Kingdom	21	–

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

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

As part of the sale of the tidal turbine business including WRDL and AOJ (Note 14 (e)), the entire investment in Normandie Hydroliennes (NH) was also sold on 19 October 2022 and the investment in Proteus Marine Renewables Limited was purchased.

The summarised financial information for these entities that are material to the Group are set out below is not adjusted for the percentage of ownership held by the Company with results of NH up to the date of sale included below:

	NPA Fuels Ltd		Normandie Hydroliennes	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Assets and liabilities:				
Current assets	8	5	–	411
Total assets	8	5	–	411
Non-current liabilities	(207)	(161)	–	(474)
Current liabilities	(8)	(2)	–	–
Total liabilities	(215)	(163)	–	(474)
Net liabilities	(207)	(158)	–	(63)
Group's share of joint venture's net liabilities	(104)	(79)	–	(32)
Results				
Revenue	–	–	370	392
Loss for the year	(55)	(117)	(550)	(142)
Group's share of joint ventures' profit for the year	(28)	(59)	(280)	(72)
Carrying amount of the investment as at 31 December	–	405	–	–

Notes to the Financial Statements

continued

(a) NPA Fuels Ltd

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 2022, the Group's share of NPA's loss for the year totalling £27,569 has been recognised (2021: £58,935) reducing the value of investment as at 31 December 2022 to £377,478 (2021: £405,047). This investment has been fully impaired. In addition, as at 31 December 2022, the Group has a loan receivable from NPA of £103,213 (2021: £61,632) which has been provided against in full. As of 31 December 2022, the directors have decided to dissolve the joint venture. 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 was to commence site development, permitting and consenting work to allow for the construction of a phased array of tidal energy projects. The Group had a 51% interest in NH resulting from €76,000 investment in the share capital of the joint venture up until the date of sale on 19 October 2022. The Group's interest in NH was accounted for using the equity method in the consolidated financial statements due to the terms of the joint venture agreement. As a result of the recognition of losses to date, the value of investment at 31 December 2021 was reduced to £Nil and the loan provided for in full.

(c) Proteus marine renewables limited

On 19 October 2022, Atlantis Projects Pte. Limited, a subsidiary of the company, acquired a 21% interest in Proteus Marine Renewables Limited as part of the divestment of the tidal turbine development business. In accordance with paragraph 6 of IAS 28 Investments in Associates and Joint Ventures, the Group's interest in Proteus Marine Renewables Limited has been recognised as an "Other investment", due to the Group not exercising significant influence as demonstrated by:

- No board representation;
- Does not participate in policy-making processes, including in participating in decisions about dividends or other distributions.

Any subsequent fair value movement will be recognised through the profit and loss.

16 Loans receivable

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Loans to subsidiaries				
- Interest bearing (a)	—	—	1,349	1,283
- Non-interest bearing (b)	—	—	11,075	11,075
Less: provision for impairment	—	—	(12,424)	(12,358)
Loans to joint ventures	104	545	104	545
Less: Impairment loss (d)	(104)	(211)	(104)	(211)
Related Party Loan (c)	258	258	258	258
Loans receivable	258	592	258	592

(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.

Notes to the Financial Statements

continued

(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 £103,890 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 loan extended by the company to Normandie Hydroliennes, which was fully provided for at 31 December 2021, was settled as part of its sale in October 2022.

17 Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade receivables	109	47	—	—
Deposits	3	52	3	3
Accrued revenue	1,149	417	—	—
Other receivables	1,404	391	262	—
Non-trade receivables due from subsidiaries	—	—	70,874	71,687
Less:				
Impairment loss	—	—	(70,874)	(71,687)
Financial assets				
at amortised cost under IFRS 9	2,665	907	265	3
Prepayments	749	432	84	93
Value added tax recoverable	(88)	9	16	15
	3,326	1,348	365	111
Non-current	—	—	—	—
Current	3,326	1,348	365	111
	3,326	1,348	365	111

The non-trade 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.

At the end of the reporting period, the Company had a provision for impairment loss of £70.9 million (2021: £71.7 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 31.

Notes to the Financial Statements

continued

18 Cash and cash equivalents

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash at bank	2,929	3,004	172	2,444
Fixed deposits	772	767	–	–
Cash and cash equivalents in the statements of financial position	3,701	3,771	172	2,444
Less: Encumbered deposits	(772)	(767)	–	–
Cash and cash equivalents in the statement of cash flows	2,929	3,004	172	2,444

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 31.

19 Share capital

	Group and Company			
	2022		2021	
	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	722,812	201,496	494,325	195,375
Public offerings issued for cash	–	–	104,000	2,600
Issue of shares other than cash	–	–	124,487	4,180
Transaction costs incurred in relation to share issuance	–	–	–	(659)
At the end of the financial year	722,812	201,496	722,812	201,496

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 2021 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.

In the current reporting period, no expenses (2021: £0.7 million) were incurred incidental to the issuance of shares.

20 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.

21 Translation reserve

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

Notes to the Financial Statements

continued

22 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 the 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, 2.5 million (2021: 26.6 million) share options were granted under the LTIP.

The options outstanding at 31 December 2022 have a weighted average contractual life of 8.2 years (2021: 9.7 years).

Details of the share options outstanding are as follows:

	Group and Company			
	2022		2021	
	No. of share options '000	Weighted average exercise price £	No. of share options '000	Weighted average exercise price £
Outstanding at end of the year	19,575	0.078	25,785	0.08
Exercisable at end of the year	8,442	0.124	2,175	0.302

The share options on issue as at the reporting date expire between 2028 and 2032.

In 2022, the Group and the Company recognised total expenses of £0.12 million (2021: £Nil million), related to equity-settled share-based payment transactions during the year and this is included as part of employee benefits expense (Note 7). A total of £0.07 million (2021: £0.55 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, no share options were granted under the CSOP (2021: 6.99m).

The options outstanding at 31 December 2022 have a weighted average contractual life of 7.8 years (2021: 8.6 years).

No options were exercised in 2022 and 2021.

	Group and Company			
	2022		2021	
	No. of share options '000	Weighted average exercise price £	No. of share options '000	Weighted average exercise price £
Outstanding at end of the year	2,063	0.13	7,053	0.15
Exercisable at end of the year	2,063	0.13	6,152	0.14

Notes to the Financial Statements

continued

The fair values for the above share options were calculated using the Black-Scholes pricing model. The inputs into the model for share options granted are as follows:

	2022	2021
Fair value of options on date of grant	£0.01 - £0.02	£0.01 - £0.10
Share price	£0.02 - £0.03	£0.02 - £0.24
Exercise price	£0.01 - £0.02	£0.02 - £0.25
Expected volatility	81.12% - 90.91%	64.29% - 81.14%
Expected life	3 years	3 years
Risk free rate	3.52%	0.97%
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 no expenses (2021: £0.3 million), related to equity-settled share-based payment transactions during the year and this is included as part of employee benefits expense (Note 7). A total of £0.20 million (2021: £Nil million) was transferred from the share option reserve to accumulated losses upon cancellation/expiry of the share options.

23 Loss per Share

The calculation of loss 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	
	2022 £'000	2021 £'000	2022 '000	2021 '000	2022 £	2021 £
Basic and diluted	(9,649)	(67,623)	722,812	558,725	(0.01)	(0.12)

	Company	
	2022 '000	2021 '000
Weighted average number of ordinary shares		
Issued ordinary share at beginning of the year	722,812	453,637
Effect of public offerings issued for cash	—	26,857
Effect of shares issued other than cash (Note 19)	—	78,231
Weighted average number of shares at the end of the year	722,812	558,725

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

Notes to the Financial Statements

continued

24 Provisions

	Provision for decommissioning costs £'000	Group Other provision £'000	Total £'000	Company Other provision £'000
2022				
At 1 January	13,546	172	13,718	30
Provision utilised during the year	–	(172)	(172)	(30)
Remeasurement of provision	(1,124)	–	(1,124)	–
Unwinding of discount on decommissioning costs	159	–	159	–
At 31 December	12,581	–	12,581	–
Non-current	12,581	–	12,581	–
Current	–	–	–	–
	12,581	–	12,581	–
2021				
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	–
At 31 December	13,546	172	13,718	30
Non-current	13,546	–	13,546	–
Current	–	172	172	30
	13,546	172	13,718	30

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 remeasurement credit in the income statement of £1.263 million has resulted from using a 4% discount rate for present value calculation. Had a discount rate of 1.50% been used (similar to last year), this would have resulted in an increase in the provisions of £6.8 million.

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. A remeasurement debit in the tangible assets note of £0.1 million has been recognised in the year.

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 2043. 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 £0.62 million in each financial year, a 0.1% increase in estimated inflation would increase the recorded provision by approximately £0.2 million in each financial year and a 0.1% increase in discount rate would decrease the recorded provision by approximately £0.2 million in each financial year.

Other provisions

The other short-term provisions for payroll liabilities and lease dilapidations were settled during 2022.

Notes to the Financial Statements

continued

25 Loans and borrowings

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

	Note	Group		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current loans and borrowings					
Short term debentures	(e)	9,895	4,914	–	–
Short term loan	(f)	6,000	–	–	–
Financial guarantees		–	–	82	95
		15,895	4,914	82	95
Non-current loans and borrowings					
Loan from a subsidiary	(a)	–	–	438	423
Loans from a related party	(b)	–	2,028	–	–
Long term loans	(c)	12,356	11,628	–	–
Secured long term loans	(d)	25,815	21,655	–	–
Long term debentures	(e)	3,719	8,595	–	–
		41,890	43,906	438	423
Total loans and borrowings		57,785	48,820	520	518

(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 (2021: £0.4 million).

(b) Loan from related parties

The related party loan from SIMEC Group Limited ("SIMEC") of £2.0 million was repaid in 2022.

(c) Long-Term loans

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 6.5% 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.

Notes to the Financial Statements

continued

(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 2022 enhanced rent payments of £Nil million (2021: £Nil 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 2022 £Nil million (2021: £Nil million) was repaid. On 1 November 2022 two new remedial plans were agreed which suspend any further senior debt repayments until 1 November 2024. The Company has provided a parent company guarantee for £2 million of the Scottish Enterprise loan.

On 30 March 2022, MeyGen PLC agreed an additional loan facility of £2.5 million with Scottish Enterprise with interest compounded semi-annually at a rate of 15% per annum. This loan is repayable on 31 May 2024.

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.

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 31.

(e) Short-Term and 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 £4.97 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 February 2020, the Group, via its subsidiary company Atlantis Future Energy PLC, raised £3.79 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.

On 28 March 2023 the Atlantis Future Energy PLC debenture holders voted to accept a special resolution to defer the principal repayment of £4.97 million from 31 March 2023 until 31 March 2024. The coupon increased from 8% to 10% per annum for the period 1 April 2023 to 31 March 2024.

On 20 June 2023, the Atlantis Ocean Energy debenture holders voted to accept a special resolution to defer the principal repayment of £4.95 million from 30 June 2023 until 30 June 2024. The coupon increased from 8% to 10% per annum for the period 1 July 2023 to 30 June 2024.

Notes to the Financial Statements

continued

(f) Short-Term loan

On 23 May 2022, the Group, via its subsidiary SIMEC Uskmouth Power Limited, entered into a loan agreement with Uskmouth Energy Storage Limited for an interest-free loan of £6 million. The loan provides funding for working capital for the Group. On 20 June 2023 the loan was repaid via a set-off with the lender for the sale of a grid connection asset for £10 million to the lender.

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

	Loans and other borrowings	
	2022	2021
	£'000	£'000
At 1 January	48,820	48,529
Proceeds from borrowings	8,500	2,000
Repayment of borrowings**	(2,027)	(4,235)
Interest expense*	3,576	2,985
Interest paid	(1,203)	(1,096)
Amortisation of loan costs*	119	637
At 31 December	57,785	48,820

* non-cash movements

** £4.18 million of the 2021 repayment was effected by issue of ordinary shares under the share placement agreement with New Technology Capital (Note 19).

26 Deferred tax liabilities

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

	Group	
	2022	2021
	£'000	£'000
At 1 January	771	3,582
Unwind historic fair value adjustment	(19)	(196)
Effect of increase in tax rates	–	1,022
Effect of Asset Impairment	–	(3,310)
Disposal of subsidiary	–	(327)
At 31 December	752	771

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

During 2021 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.

Notes to the Financial Statements

continued

27 Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	685	1,304	29	239
Other payables	3,814	3,697	4	27
Accruals	605	644	227	239
Non-trade payables due to subsidiaries	–	–	6,391	8,210
Other financial liabilities	5,104	5,645	6,651	8,715
Advance receipts	1,469	1,469	–	–
Corporate tax payable	–	–	–	–
	6,573	7,114	6,651	8,715

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 historical grant income previously received for which the Group has been notified may be subject to clawback. As disclosed in Note 3 under the Going Concern commentary, the Group is of the view that there are grounds for disputing any clawback of this grant.

Advanced receipts include the lease premium of £1.5 million (2021: £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 31.

28 Related company and parties transactions

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

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Interest income from a subsidiary				
– MeyGen PLC	–	–	65	64
Service fee income from a subsidiary				
– Atlantis Resources (Scotland) Limited	–	–	91	310
Interest expense arising from a subsidiary				
– Atlantis Resources (Scotland) Limited	–	–	15	15
Recharge of costs to related party				
– SIMEC Power 1 Limited*	–	(98)	–	–
– SIMEC Power 4 Limited*	–	(226)	–	–
– SIMEC Subcoal Fuels Limited*	–	(184)	–	–
Reimbursement of Non-Executive Director fees paid by SIMEC International (UK) Ltd *	–	32	–	32

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

Notes to the Financial Statements

continued

Compensation of Directors and Key Management Personnel

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

	Group	
	2022 £'000	2021 £'000
Short-term benefits	580	645
Defined contribution benefits	65	20
Share-based payments	71	127
	716	792

29 Commitments

As at 31 December 2022, the Group held £Nil million commitments (2021: £Nil million)

30 Contingent liabilities

The Group, through its subsidiary MeyGen PLC, has guaranteed credit facilities of £1.4 million (2021: £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 for £2 million in respect of the Tranche B loan issued by Scottish Enterprise to MeyGen 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 (2021: £3.3 million).

31 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.

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 impairment loss for the Company is £70.9 million (2021: £71.7 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 (2021: £3.7 million) at 31 December 2022. 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.

Notes to the Financial Statements

continued

Guarantees

At 31 December 2022 and 2021, the Company issued guarantees to a lender in respect of credit facilities granted to a subsidiary (Note 30).

(b) Liquidity risk

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

Current financial liabilities in 2022 and 2021 are repayable on demand or due within one year from the end of the reporting period. Other than certain loans, the remaining financial liabilities are non-interest bearing.

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

		Contractual cash flows				
	Note	Carrying amount £'000	Total £'000	One year or less £'000	Two to five years £'000	Over five years £'000
Group						
2022						
Financial liabilities						
Trade and other payables	27	5,104	5,104	5,104	—	—
Short term loan	25	6,000	6,000	6,000	—	—
Long-term loan	25	12,356	16,854	—	—	16,854
Debentures	25	13,614	15,525	1,221	14,304	—
Secured long-term loans	25	25,815	34,026	—	34,026	—
Lease liabilities	13	1,296	5,150	303	338	4,509
		64,185	82,659	12,628	48,668	21,363
2021						
Financial liabilities						
Trade and other payables	27	5,648	5,648	5,648	—	—
Loans from a related party	25	2,028	2,027	—	2,027	—
Long-term loan	25	11,628	15,132	—	—	15,132
Long-term debentures	25	13,509	15,232	5,146	10,086	—
Secured long-term loans	25	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
Company						
2022						
Financial liabilities						
Trade and other payables	27	6,651	6,651	6,651	—	—
Financial guarantees	25	82	82	82	—	—
Loan from a subsidiary	25	438	438	—	438	—
		7,171	7,171	6,733	438	—
2021						
Financial liabilities						
Trade and other payables	27	8,714	8,714	8,714	—	—
Financial guarantees	25	95	3,500	3,500	—	—
Loan from a subsidiary	25	423	423	—	423	—
		9,232	12,637	12,214	423	—

Notes to the Financial Statements

continued

(c) Market risk

Currency risk

The Group transacts the majority of its business in GBP and is not exposed to foreign exchange risk. At the end of the reporting period the Group held a large cash balance in JPY which was exchanged into GBP in January 2023 for a small gain.

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Australian dollars	1	2	2	1	1	—	—	80
Euros	—	—	199	19	—	—	—	—
United States dollars	—	—	—	1	—	—	—	—
Singapore dollars	—	—	20	47	—	—	18	17
Japanese yen	—	785	610	213	—	—	—	—

Foreign Currency Sensitivity

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

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

	Group				Company			
	Equity		Profit and loss before tax		Equity		Profit and loss before tax	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Australian dollars	—	—	—	—	—	—	—	(8)
Euros	—	—	(20)	(2)	—	—	—	—
United States dollars	—	—	—	—	—	—	—	—
Singapore dollars	—	—	(2)	(5)	—	—	(2)	(2)
Japanese yen	—	—	(61)	57	—	—	—	—

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 (2021: £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 2022, the Group has variable rate borrowings of £12.4 million and the Company has variable rate receivables of £1.35 million that are indexed to LIBOR rates which has yet to transition to an alternative benchmark rate.

Notes to the Financial Statements

continued

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 £63.1 million (2021: £63.7 million) and £12.8 million (2021: £13.1 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.

(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	2022		2021	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Group					
Financial assets					
Trade and other receivables	17	2,665		907	
Cash and cash equivalents	18	3,701		3,771	
Financial assets at amortised cost under IFRS 9		6,366		4,678	
Financial liabilities					
Trade and other payables	27	5,104		5,645	
Secured long term loans	25	25,815	25,820	21,655	21,275
Other loans and borrowings	25	31,970	31,970	27,165	27,165
Lease liabilities	13	1,296		759	
Liabilities at amortised cost		64,185		55,224	
Company					
Financial assets					
Loans receivables	16	258		592	
Trade and other receivables	17	365		111	
Cash and cash equivalents	18	172		2,444	
Financial assets at amortised cost under IFRS 9		795		3,147	
Financial liabilities					
Trade and other payables	27	6,651		8,714	
Loan from a subsidiary	25	438	418	423	421
Other loans and borrowings	25	82		95	
Liabilities at amortised cost		7,171		9,232	

Notes to the Financial Statements

continued

32 Segment information

(a) Operating Segments

The Group is a developer, owner and operator of renewable and sustainable energy projects. The project development division currently focusses on the development of a sustainable energy park at the Uskmouth power plant site. The power generation division currently focuses on the operation and further development of the world's flagship tidal stream project, MeyGen. Revenues from power generation are derived from MeyGen's contract to sell generation and renewable obligation certificates. The Group divested its turbine and engineering services business in October 2022.

Other operations include the provision of corporate services which does not meet any of the quantitative thresholds for determining reportable segments in 2022 and 2021 and is included within unallocated.

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
2022					
External revenues	3,902	–	–	–	3,902
Inter-segment revenue	–	–	–	–	–
Interest revenue	–	–	–	58	58
Interest expense	(2,541)	(76)	–	(1,404)	(4,021)
Depreciation and amortisation	(2,004)	(7)	(1,081)	(184)	(3,275)
Reversal of impairment loss	–	–	2,000	–	2,000
(Loss)/Gain on disposal of subsidiaries	–	(2,232)	–	–	(2,232)
Reportable segment loss before tax	(5,798)	(3,023)	2,308	(4,566)	(11,079)
Reportable segment assets	48,668	1,667	32,521	1,813	84,669
Capital expenditure	–	–	–	–	–
Reportable segment liabilities	(41,924)	(2,716)	(18,352)	(15,995)	(78,987)
2021					
External revenues	1,628	3,628	2,316	(61)	7,511
Inter-segment revenue	–	–	–	–	–
Interest revenue	–	86	–	(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) Geographical segments

Total segment revenue for the Group is £3.9 million (2021: £7.5 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.

Notes to the Financial Statements

continued

33 Events after the reporting period

On 28 March 2023 the Atlantis Future Energy PLC debenture holders voted to accept the deferral of the principal repayment of £4.97 million from 31 March 2023 until 31 March 2024. The coupon increased from 8% to 10% per annum for the period from 1 April 2023.

On 23 May 2023 Uskmouth Energy Storage Limited ("UESL") gave formal notice of their exercise of the option to take a lease of land at the Group's Uskmouth site for one of the UK's largest battery energy storage projects (230 MW/460 MWh), subsequent to which, in June 2023, UESL entered into the 30-year lease, the Group satisfied the charge held over all of the undertaking property and assets of SIMEC Uskmouth Power Limited, and, on 24 July 2023 the Group received the final instalment of £4.0 million of the development premium from UESL.

On 20 June 2023 the Atlantis Ocean Energy PLC debenture holders voted to accept the deferral of the principal repayment of £4.95 million from 30 June 2023 until 30 June 2024. The coupon increased from 8% to 10% per annum for the period from 1 July 2023.

On 11 July 2023, the Group received a demand from the European Union commission ("EU") for the repayment of historical grant monies totalling £1.1 million due within two weeks of receipt of the demand letter. This claim from the EU was first raised in 2021 and this latest letter is part of the continuing correspondence with them on this matter. The Group continues to be of the view that there are grounds to dispute any clawback of this grant and has not paid the requested amount to the EU.

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