

# **SIMEC Atlantis Energy Limited**

Registration Number: 200517551R

Consolidated Interim Financial Statements

(unaudited)

For the six months ended 30 June 2020

## **Contents**

Chairman's Statement	1
Consolidated Interim Financial Statements	3
Notes to the Consolidated Interim Financial Statements	7
Company Information	9

## **Chairman's Statement**

### **Trading Statement**

The first six months of 2020 have seen significant global economic and social challenges as a result of the COVID-19 pandemic. Here at Atlantis we have maintained activity across each of our business units and we continue to see encouraging progress despite the logistical and workplace challenges COVID-19 social distancing restrictions present. In particular, we note the continued progress of the Uskmouth power station conversion project in Wales with major technical, planning and commercial milestones having been successfully achieved, the entry into the NPA Fuels joint venture with the N+P Group, and the resulting over-subscribed equity placement in August 2020.

### **Power Station Conversion**

The Uskmouth conversion project started the year in March with successful commercial fuel pellet production and milling trials and followed this up in May with the launch of the project pre-application planning consultation. The most significant technical achievement of 2020 was announced in June in relation to the large scale fuel combustion tests which took place in Nagasaki, Japan. These tests were successfully completed by Mitsubishi Power Systems and results exceeded combustion performance expectations. In August, we announced entry into a fuel supply joint venture with the N+P Group to supply fuel to Uskmouth and other future conversion projects. This joint venture is expected to improve the security of Uskmouth's fuel supply whilst providing access to additional revenues from the sale of fuel and the gate fees chargeable for receipt of the input waste materials at the fuel production plants. In order to optimise revenues generated by power sales from Uskmouth we have also announced that we are working with data centre development specialist TechRE to evaluate opportunities to sell output via private wire networks to data centre customers. Finally, we recently updated the market on our relationship with South Korean infrastructure investor Hana Financial Investment Co, with whom we are seeking to secure debt and equity bridge financing for the conversion of the first 110MW of capacity at Uskmouth.

### **Marine Energy**

The 6MW first phase of the MeyGen project has now exported more than 33GWh to the grid, enough to charge more than 750,000 standard electric vehicles. Whilst the three Andritz turbines have been performing well, the Atlantis AR1500 turbine requires further repair and maintenance following its redeployment in August. We expect the AR1500 to be reinstated and fully operational by the end of December 2020. The variable pitch upgrade is expected to deliver a 4% increase in annual revenue with no increase in the turbine's operating cost. The August operations included the completion of the installation of MeyGen's new subsea hub, which was provided by Atlantis under a £2.4m delivery contract supported by a grant from the Saltire Tidal Energy Challenge Fund. This subsea hub is a key enabler for cost reductions in future tidal arrays as it is designed to allow for the connection of multiple turbines offshore.

Atlantis is in the final stages of construction and testing for an AR500 turbine system to be delivered to Japan for our client Kyuden Mirai Energy ("KME") in Q4 2020. The turbine will be deployed in the Straits of Naru, within the southern Japanese Goto island chain. It is intended that this would be the first phase of a larger testing programme at the site, subject to initial performance.

## **Hydro Energy**

The Atlantis group's hydro division, SIMEC GHR Ltd ("GHR"), has continued to develop its operations and maintenance business and currently provides services to over 45 separate hydroelectric schemes throughout Scotland. New clients are being added and additional resources are being deployed to ensure that the service levels are of the highest standard. GHR's project management division is actively involved in the construction of 4 new hydro schemes and, although COVID-19 closed these sites for a short while, construction is now progressing well towards the required commissioning dates.

## **Equity Placement**

On 6 August 2020, the Company announced the launch of a fundraising comprising a placing by way of an accelerated bookbuild process by Investec and Arden and an offer for subscription by PrimaryBid, each at a price of 12 pence per share (together, the "Fundraising"). The placing raised gross proceeds of £6.5 million through the issue of 54,166,666 new ordinary shares and the PrimaryBid offer raised £1 million through the issue of 8,333,333 new ordinary shares. In aggregate, therefore, the Fundraising raised gross proceeds of approximately £7.5 million and resulted in the issue of 62,499,999 new Ordinary Shares at 12 pence per share. The proceeds are being used to fund the Company's working capital requirements and in connection with the proposed investment by the Company in NPA Fuels Limited.

## **Summary of Results**

The overall loss before tax of £6.1 million for the six months ended 30 June 2020 was almost half of the loss of £11.8 million reported for the same period in 2019. This improvement is largely attributable to strong revenue contributions generated by the tidal turbines and engineering services division, together with good performance from the MeyGen project in Scotland. Six months of revenue contributions from GHR added to the improved performance relative to 2019. Overall, costs were in line with expectations with significant contractors' costs being incurred in delivery of the subsea hub project and the AR500 turbine for Japan, as well as the ongoing Uskmouth operational costs.

Depreciation, as expected, has remained stable and is being driven by Uskmouth and MeyGen.

Finance costs in the current period are materially in line with the same period last year and also included five months of the £3.79 million Abundance bond raise, which closed in February 2020.

The unaudited consolidated cash position of the Atlantis Group at 30 June 2020 was £9.8 million.



*John M Neill*

*Chairman*

**Condensed consolidated statement of profit and loss and  
other comprehensive income  
For the six months ended 30 June 2020**

	Note	<b>Group</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
Revenue		7,935	1,974
Other gains and losses		154	76
Employee benefits expense		(3,203)	(3,125)
Subcontractor costs		(2,251)	(1,739)
Depreciation and amortisation		(5,318)	(5,219)
Acquisition costs		-	(980)
Other operating expenses		(1,534)	(1,651)
<b>Total expenses</b>		<u>(12,306)</u>	<u>(12,714)</u>
<b>Results from operating activities</b>		<u>(4,217)</u>	<u>(10,664)</u>
Finance costs		(1,959)	(1,749)
<b>Loss before tax</b>		<u>(6,176)</u>	<u>(12,413)</u>
Tax credit		69	581
<b>Loss for the period</b>		<u>(6,107)</u>	<u>(11,832)</u>
<b>Other comprehensive income:</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations		4	-
<b>Total comprehensive income for the period</b>		<u>(6,103)</u>	<u>(11,832)</u>
<b>Loss attributable to:</b>			
Owners of the Group		(5,868)	(11,436)
Non-controlling interests		(239)	(396)
<b>Total comprehensive income attributable to:</b>		<u>(5,864)</u>	<u>(11,436)</u>
Owners of the Group		(5,864)	(11,436)
Non-controlling interests		(239)	(396)
<b>Loss per share (basic and diluted) (pence)</b>	<b>5</b>	<u>(0.01)</u>	<u>(0.03)</u>

## Condensed consolidated statement of financial position

### As at 30 June 2020

	<b>Group</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>		
Property, plant and equipment	134,069	136,315
Intangible assets	16,253	17,058
Right-of-use assets	1,296	1,436
Investment in joint venture	47	47
<b>Non-current assets</b>	<b>151,665</b>	<b>154,856</b>
Trade and other receivables	2,420	7,830
Inventory	861	864
Cash and cash equivalents	9,819	4,521
<b>Current assets</b>	<b>13,100</b>	<b>13,215</b>
<b>Total assets</b>	<b>164,765</b>	<b>168,071</b>
<b>Liabilities</b>		
Trade and other payables	11,195	9,449
Lease liabilities	192	276
Provisions	118	120
Loans and borrowings	3,625	4,559
<b>Current liabilities</b>	<b>15,130</b>	<b>14,404</b>
Loans and borrowings	42,782	40,662
Lease liabilities	981	1,091
Provisions	14,669	14,539
Deferred tax liabilities	3,275	3,344
<b>Non-current liabilities</b>	<b>61,707</b>	<b>59,636</b>
<b>Total liabilities</b>	<b>76,837</b>	<b>74,040</b>
<b>Net assets</b>	<b>87,928</b>	<b>94,031</b>
<b>Equity</b>		
Share capital	188,018	188,018
Capital reserve	12,665	12,665
Translation reserve	7,083	7,079
Share option reserve	740	740
Accumulated losses	(126,654)	(120,786)
<b>Total equity attributable to owners of the Company</b>	<b>81,852</b>	<b>87,716</b>
<b>Non-controlling interests</b>	<b>6,076</b>	<b>6,315</b>
<b>Total equity</b>	<b>87,928</b>	<b>94,031</b>

## Condensed consolidated statement of changes in equity

### For the six months ended 30 June 2020

Group	Attributable to owners of the Company					Total £'000	Non- controlling interest £'000	Total £'000
	Share capital £'000	Capital reserve £'000	Translation reserve £'000	Share option reserve £'000	Accumulated losses £'000			
<b>At 1 January 2019</b>	<b>178,218</b>	<b>12,665</b>	<b>7,073</b>	<b>3,224</b>	<b>(88,479)</b>	<b>112,701</b>	<b>6,862</b>	<b>119,563</b>
<b>Total comprehensive income for the period</b>								
Loss for the period	–	–	–	–	(11,436)	(11,436)	(396)	(11,832)
Other comprehensive income	–	–	(1)	–	–	(1)	–	(1)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>(11,436)</b>	<b>(11,437)</b>	<b>(396)</b>	<b>(11,833)</b>
<b>Transactions with owners</b>								
<b>Contributions and distributions</b>								
Issue of share capital	9,800	–	–	–	–	9,800	–	9,800
Recognition of share-based payments	–	–	–	36	–	36	–	36
Transfer between reserves	–	–	–	(799)	799	–	–	–
<b>Total transactions with owners</b>	<b>9,800</b>	<b>–</b>	<b>–</b>	<b>(763)</b>	<b>799</b>	<b>9,836</b>	<b>–</b>	<b>9,836</b>
<b>At 30 June 2019</b>	<b>188,018</b>	<b>12,665</b>	<b>7,072</b>	<b>2,461</b>	<b>(99,116)</b>	<b>111,100</b>	<b>6,466</b>	<b>117,566</b>
<b>Total comprehensive income for the period</b>								
Loss for the period	–	–	–	–	(23,436)	(23,436)	(151)	(23,587)
Other comprehensive income	–	–	7	–	–	7	–	7
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>(23,436)</b>	<b>(23,429)</b>	<b>(151)</b>	<b>(23,580)</b>
<b>Transactions with owners</b>								
<b>Contributions and distributions</b>								
Recognition of share-based payments	–	–	–	45	–	45	–	45
Transfer between reserves	–	–	–	(1,766)	1,766	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,721)</b>	<b>1,766</b>	<b>45</b>	<b>–</b>	<b>45</b>
<b>At 31 December 2019</b>	<b>188,018</b>	<b>12,665</b>	<b>7,079</b>	<b>740</b>	<b>(120,786)</b>	<b>87,716</b>	<b>6,315</b>	<b>94,031</b>
<b>Total comprehensive income for the period</b>								
Loss for the period	–	–	–	–	(5,868)	(5,868)	(239)	(6,107)
Other comprehensive income	–	–	4	–	–	4	–	4
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>(5,868)</b>	<b>(5,864)</b>	<b>(239)</b>	<b>(6,103)</b>
<b>Transactions with owners</b>								
<b>Contributions and distributions</b>								
Issue of share capital	–	–	–	–	–	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–	–
Transfer between reserves	–	–	–	–	–	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>At 30 June 2020</b>	<b>188,018</b>	<b>12,665</b>	<b>7,083</b>	<b>740</b>	<b>(126,654)</b>	<b>81,852</b>	<b>6,076</b>	<b>87,928</b>

## Condensed consolidated statement of cash flows

### For the six months ended 30 June 2020

	<b>Group</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax for the period	(6,176)	(12,413)
Adjustments for:		
Grant income	(71)	
Depreciation of property, plant and equipment	4,497	4,454
Amortisation of intangible asset	821	765
Interest income	(18)	(7)
Finance costs	1,959	1,749
Share-based payments	-	36
Provision movement	-	(1,054)
Net foreign exchange	(23)	3
Operating cash flows before movements in working capital	989	(6,467)
Movement in trade and other receivables	1,376	857
Movement in trade and other payables	1,625	(1,946)
<b>Net cash used in operating activities</b>	<b>3,990</b>	<b>(7,556)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,514)	(751)
Acquisition of subsidiary, net of cash acquired	-	-
<b>Net cash used in investing activities</b>	<b>(3,514)</b>	<b>(751)</b>
<b>Cash flows from financing activities</b>		
Proceeds from grants received	1,509	-
Proceeds from issue of shares (1)	4,000	5,030
Costs related to fund raising	-	(260)
Proceeds from borrowings	1,056	-
Repayment of borrowings	(961)	(65)
Deposits (pledged) / released	(492)	(1)
Payment of lease liabilities	(235)	(204)
Interest paid	(547)	(394)
<b>Net cash from financing activities</b>	<b>4,330</b>	<b>4,106</b>
<b>Net increase / (decrease) in cash and cash balances</b>	<b>4,806</b>	<b>(4,201)</b>
Cash and cash equivalents at beginning of period	3,602	8,351
<b>Cash and cash equivalents at end of period</b>	<b>8,408</b>	<b>4,150</b>

Included in cash and cash equivalents in the statements of financial position is £1.4 million (2019: £0.9 million) of encumbered deposits.

(1) Shares were issued as part of March 2019 share placing. Cash received from SIMEC in 2020.



## **Notes to the Consolidated Interim Financial Statements**

The condensed consolidated statement of financial position of SIMEC Atlantis Energy Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the Group for the six-month period then ended and certain explanatory notes (the “Consolidated Interim Financial Statements”), were approved by the Board of Directors for issue on 29 September 2020.

These notes form an integral part of the Consolidated Interim Financial Statements.

The Consolidated Interim Financial Statements do not comprise statutory accounts of the Group within the meaning in the provisions of the Singapore Companies Act, Chapter 50. The Group’s statutory accounts for the year ended 31 December 2019 were prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). SFRS(I)s are issued by the Accounting Standards Council Singapore, which comprise standards and interpretations that are equivalent to IFRS issued by the International Accounting Standards Board. All references to SFRS(I)s and IFRSs are subsequently referred to as IFRS in these financial statements unless otherwise specified.

The Group’s statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 11 August 2020 and have been reported by the Group’s auditors.

### **1 Domicile and activities**

SIMEC Atlantis Energy Limited (the “Company”) is a company incorporated in Singapore. The Company’s registered office address is c/o Level 4, 21 Merchant Road, #04-01, Singapore 058267. The principal place of business is Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG, United Kingdom.

The principal activity of the Group is to develop and operate as a global sustainable energy provider. The Company is an inventor, developer, owner, marketer and licensor of technology, intellectual property, trademarks, products and services and an investment holding company.

### **2 Significant accounting policies**

#### ***Basis of preparation***

The Consolidated Interim Financial Statements have been prepared in accordance with the AIM Rules for Companies and are therefore not required to comply with International Accounting Standard 34 *Interim Financial Reporting* to maintain compliance with IFRS. In all other respects, the financial statements are drawn up in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

The Consolidated Interim Financial Statements, which do not include the full disclosures of the type normally included in a complete set of financial statements, are to be read in conjunction with the last issued consolidated financial statements of the Group as at and for the year ended 31 December 2019.

### ***Accounting policies***

The accounting policies and method of computation used in the Consolidated Interim Financial Statements are consistent with those applied in the last issued consolidated financial statements of the Group for the year ended 31 December 2019.

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

In preparing this set of Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## **4 Going concern basis**

The Group has prepared financial forecasts for a period beyond 30 September 2021, including sensitivity analysis. These forecasts, which take into account the ongoing committed costs of the Group, demonstrate that the Company is able to operate within its available cash and funding balances for a period beyond 30 September 2021. The forecasts indicate that the Group is projected to operate within its available cash facilities for the forecast period although mitigating action may be required to be taken in advance of periods when cash and cash equivalents available for use are forecast to be limited.

While the Directors cannot envisage all possible circumstances that may impact the Group in the future, the Directors believe that, taking account of the forecasts, future plans and available cash resources, the Group will have sufficient resources to support the Company to meet all ongoing working capital and committed capital expenditure requirements as they fall due. Further details on the going concern assessment are provided in the 31 December 2019 consolidated financial statements published on the 11<sup>th</sup> August 2020.

## **5 Other notes**

- (i) In respect of the six months to 30 June 2020, the diluted earnings per share is calculated on a loss attributable to owners of the Company of £5.8 million on the basic weighted average of 429,077,656 ordinary shares (30 June 2019: loss of £11.8 million and basic weighted average shares of 399,201,964). Share options were excluded from the diluted weighted average number of ordinary shares calculations as their effect would have been anti-dilutive. No dividends has been declared (2019: nil).

## **6 Events after the reporting date**

On 11 August the Company raised £7.5 million, before expenses, through the placing of 62,499,999 new ordinary shares at a placing price of 12 pence per share.

## **COMPANY INFORMATION**

### **NON-EXECUTIVE DIRECTORS**

John Mitchell Neill  
Mark Edward Monckton Elborne  
George Jay Hambro  
Ian Raymond Wakelin  
John Anthony Clifford Woodley

### **AUDITOR**

Ernst & Young LLP  
One Raffles Quay  
North Tower, Level 18  
Singapore 048583

### **EXECUTIVE DIRECTORS**

Timothy James Cornelius  
Andrew Luke Dagley

### **REGISTRAR**

Boardroom Corporate & Advisory Services  
Pte Ltd  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

### **REGISTERED OFFICE AND COMPANY NUMBER**

c/o Level 4, 21 Merchant Road,  
#04-01  
Singapore 058267  
Company Number: 200517551R

### **DEPOSITARY**

Link Market Services Trustees Limited  
The Registry  
34 Beckenham Road  
Beckenham BR3 4TU

### **COMPANY SECRETARY**

Kelly Tock Mui Han  
21 Merchant Road  
#04-01 Royal Merukh S.E.A  
Singapore 058267

### **GUERNSEY BRANCH REGISTER**

Link Market Services (Guernsey) Limited  
Mont Crevelt House  
Bulwer Avenue  
St Sampson  
Guernsey GY2 4LH

### **NOMINATED ADVISER AND BROKER**

Investec Bank plc  
30 Gresham Street  
London  
EC2V 7QP

### **WEBSITE**

[www.simecatlantis.com](http://www.simecatlantis.com)