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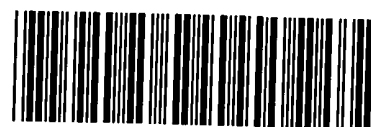
Registration number: 03266902

MINESTO UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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MINESTO UK LIMITED

CONTENTS

Section	Page
Company Information	1
Director's Report	2 to 3
Statement of Director's Responsibilities	4
Independent Auditor's Report	5 to 6
Statement of Income and Retained Earnings	7
Statement of Financial Position	8
Notes to the Financial Statements	9 to 19

MINESTO UK LIMITED

COMPANY INFORMATION

Director	M Edlund
Company secretary	Goodwille Limited
Registered office	Celtic House 41-43 Market Street Holyhead Anglesey LL65 1UN
Independent Auditor	Harmer Slater Limited Statutory Auditor Salatin House 19 Cedar Road Sutton Surrey SM2 5DA

MINESTO UK LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The report and the audited financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the company is that of research into the development of a novel tidal power plant.

Directors of the company

The directors who held office during the year and up to the date of signing these financial statements were as follows:

M Edlund (appointed 1 March 2016)

Anders Jansson (resigned 1 March 2016)

Going concern

The accounts have been prepared under the going concern concept on the basis that the immediate parent undertaking has agreed to provide adequate funds to enable the company to meet its liabilities as they fall due.

Events after the financial period

There have been no significant events between the year end and the date of approval of these accounts which would require a change to, or disclosure in, the accounts.

Disclosure of information to the auditors

The director has taken steps that ought to have taken as a director in order to make aware of any relevant audit information (as defined by section 418 of the Companies Act 2006) and to establish that the company's auditors are aware of that information. The director confirms that there is no relevant information that of and of which the auditors are unaware.

Reappointment of auditors

Harmer Slater Limited are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006.

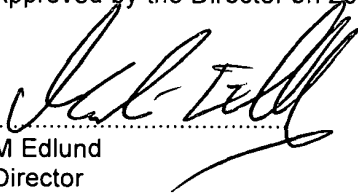
MINESTO UK LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Small companies provision statement

The director has taken advantage of the small companies' exemptions provided by sections 414B and 415A of the Companies Act 2006 from the requirement to prepare a Strategic Report and in preparing the Directors' Report on the grounds that the company qualifies as a small company but for being a member of an ineligible group.

Approved by the Director on 20 June 2017



.....
M Edlund
Director

MINESTO UK LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the director must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MINESTO UK LIMITED

We have audited the financial statements of Minesto UK Limited for the year ended 31 December 2016, set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Director's Responsibilities (set out on page 4), the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

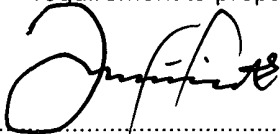
In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
MINESTO UK LIMITED (CONTINUED)**

Matters on which we are required to report by exception

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

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



.....
Ransford Agyei-Boamah (Senior Statutory Auditor)
For and on behalf of Harmer Slater Limited, Statutory Auditor

Salatin House
19 Cedar Road
Sutton
Surrey
SM2 5DA

20 June 2017

MINESTO UK LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Revenue	3	417,084	781,634
Research and development costs		(1,856,395)	(707,482)
Administrative expenses		(333,616)	(100,071)
Other operating income	4	<u>1,772,927</u>	<u>25,436</u>
Operating loss	5	-	(483)
Other interest receivable and similar income		<u>-</u>	<u>483</u>
Profit/(loss) on ordinary activities before taxation		-	-
Taxation	9	<u>-</u>	<u>-</u>
Profit/(loss) for the financial year		-	-
Retained earnings brought forward		<u>(166,432)</u>	<u>(166,432)</u>
Retained earnings carried forward		<u><u>(166,432)</u></u>	<u><u>(166,432)</u></u>

Continuing operations

The results above are derived wholly from continuing operations.

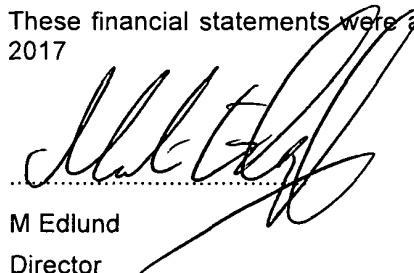
The notes on pages 9 to 19 form an integral part of these financial statements.

MINESTO UK LIMITED

(REGISTRATION NUMBER: 03266902) STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Non-current assets			
Property, plant and equipment	10	68,773	76,786
Current assets			
Receivables	11	736,884	38,805
Cash at bank and in hand	12	<u>689,656</u>	<u>28,163</u>
		1,426,540	66,968
Payables: Amounts falling due within one year	13	<u>(1,491,393)</u>	<u>(139,834)</u>
Net current liabilities		<u>(64,853)</u>	<u>(72,866)</u>
Net assets		<u>3,920</u>	<u>3,920</u>
Equity			
Called up share capital	15	2	2
Capital contribution	15	170,350	170,350
Retained earnings	15	<u>(166,432)</u>	<u>(166,432)</u>
Total equity		<u>3,920</u>	<u>3,920</u>

These financial statements were approved and authorised for issue by the director on 20 June 2017



.....

M Edlund
Director

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 General information

Minesto UK Limited is a private company limited by share capital incorporated in the England and Wales under the Companies Act 2006.

The address of its registered office is given on page 2.

The nature of the company's principal activities are set out in the Director's Report on page 2.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The accounts have been prepared under the going concern concept on the basis that the immediate parent undertaking has agreed to provide adequate funds to enable the company to meet its liabilities as they fall due.

Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council and in accordance with the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are presented in sterling (£).

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 Accounting policies (continued)

Summary of disclosure exemptions

The company is qualifying entity (for the purposes of FRS102) and in consequence has taken advantage of the following disclosure exemptions:

=> the requirement to present a statement of cash flows and related notes

=> the requirement to disclose transactions with group entities

=> financial instrument disclosures, including: categories of financial instruments, items of income, expenses, gains or losses relating to financial instruments and exposure to and management of financial risks

Name of parent of group

These financial statements are consolidated into the financial statements of Minesto AB.

The financial statements of Minesto AB may be obtained from Vita Gavelns Väg 6, 426 71 Västra Frölunda, Sweden. Minesto AB is listed on First North at NASDAQ Stockholm.

Key sources of estimation uncertainty and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Property, plant and equipment - the company establishes a reliable estimate of the useful life of tangible fixed assets; this estimate is based on a variety of factors which may be uncertain. The carrying amount is £68,774 (2015 -£76,786).

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 Accounting policies (continued)

Government grants - Government grants of a revenue nature are credited to other operating income so as to match them with the expenditure to which they relate. The company makes grant claims quarterly to the Welsh Government which then carry out a review of the claim as required by EU regulations before it is approved and paid to the company. As at 31 December 2016, the company's other receivables included £480,575 in respect of claims made to the Welsh Government which are subject to audit. The director, having considered the outcome of previous grant audits, is of the opinion that this amount is fully recoverable.

In addition to the above, an accrued grant income of £160,192 was recognised at 31 December 2016. This accrual is an estimate based on previous grant claims and any difference between this accrual and the actual future income will be accounted for in the period in which the grant is received.

Deferred taxation - At 31 December 2016, the company had unrelieved tax losses of approximately £245,000. No deferred tax asset has been recognised in respect of these tax losses. In the director's opinion, there may not be other future taxable profits against which the tax losses will be relieved and consequently have not recognised any deferred tax asset.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities. Revenue is shown net of value added tax.

The company recognises revenue when:
the amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific performance criteria have been met for the company's activities.

Government grants

Government grants in respect of capital expenditure are deducted from the related assets, with a consequent reduction in the annual charge for depreciation/amortisation released to the statement of income and retained earnings over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate and are included in other operating income.

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current tax. Tax is recognised in the statement of income and retained earnings, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit. Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Equipment and tools	10 years straight line

Cash and cash equivalents

Cash and cash equivalents comprise bank current accounts that are subject to an insignificant risk of change in value.

Receivables

Receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable.

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 Accounting policies (continued)

Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

3 Revenue

In the opinion of the director the company's revenue, profit before tax and net assets are not attributable to classes of business or geographical segments which differ substantially from each other. Consequently, no segmental information has been presented.

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2016	2015
	£	£
Government grants	<u>1,772,927</u>	<u>25,436</u>

5 Operating loss

Operating loss is stated after charging/(crediting)

	2016	2015
	£	£
Foreign exchange losses/(gains)	116,863	(3,277)
Depreciation expense	8,013	4,248
Government grants receivable	<u>(1,772,927)</u>	<u>(25,436)</u>

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6 Staff costs

The aggregate payroll costs were as follows:

	2016	2015
	£	£
Wages and salaries	597,983	195,255
Social security costs	59,423	18,939
Pension costs, defined contribution scheme	49,501	8,307
	<u>706,907</u>	<u>222,501</u>

The average number of persons employed by the company during the year, analysed by category was as follows:

	2016	2015
	No.	No.
Administration and support	3	1
Research and development	11	4
	<u>14</u>	<u>5</u>

7 Directors' remuneration

No remuneration was paid to the directors during the year (2015: £nil). They were remunerated by other group companies.

8 Auditors' remuneration

	2016	2015
	£	£
Audit of these financial statements	<u>1,300</u>	<u>1,300</u>
Other fees to auditors		
All other non-audit services	<u>1,350</u>	<u>1,350</u>

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9 Taxation

Tax charged/(credited) in the the Statement of Income and Retained Earnings:

	2016 £	2015 £
Current taxation		
UK corporation tax	-	-
	-	-

Factors affecting current tax charge for the year

	2016 £	2015 £
Profit/(loss) before tax	-	-
Corporation tax at standard rate of 20%	-	-
Depreciation in excess of capital allowances	1,603	668
Tax losses (utilised)/carried forward	(1,603)	(668)
Total current tax	-	-

Factors that may affect future tax charges

The company has tax losses of £234,849 (2015: £243,000) which are available to be utilised against future profits. No deferred tax asset has been recognised in respect of these losses.

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10 Property, plant and equipment

	Equipment and tools £	Computer equipment £	Total £
Cost			
At 1 January 2016	80,125	2,726	82,851
Disposals	-	(2,726)	(2,726)
At 31 December 2016	80,125	-	80,125
Depreciation			
At 1 January 2016	3,339	2,726	6,065
Charge for the year	8,013	-	8,013
Eliminated on disposal	-	(2,726)	(2,726)
At 31 December 2016	11,352	-	11,352
Carrying amount			
At 31 December 2016	68,773	-	68,773
At 31 December 2015	76,786	-	76,786

11 Receivables

	2016 £	2015 £
Other receivables	569,282	34,850
Prepayments and accrued income	167,602	3,955
	<u>736,884</u>	<u>38,805</u>

Included within other receivables is a decommissioning and restoration security deposit of £20,000 (2015: £20,000) which is recoverable after more than one year.

12 Cash and cash equivalents

	2016 £	2015 £
Cash at bank	<u>689,656</u>	<u>28,163</u>

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13 Payables

	Note	2016 £	2015 £
Due within one year			
Trade payables		401,807	2,925
Amounts due to group undertakings	16	1,050,209	90,180
Social security and other taxes		23,114	7,181
Other payables		6,917	3,527
Accrued expenses		<u>9,346</u>	<u>36,021</u>
		<u>1,491,393</u>	<u>139,834</u>

14 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £49,501 (2015 - £8,307).

There were no prepaid or outstanding contributions at the year end (2015 - Nil).

15 Share capital and reserves

Allotted, called up and fully paid shares

	No.	2016 £	No.	2015 £
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

The company has one class of share which carries no right to fixed income.

MINESTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

15 Share capital and reserves (continued)

Reserves

The capital contribution reserve represents a contribution from the parent undertaking, Minesto AB which is unconditional and any repayment is at the sole discretion of the company. There was no movement on this reserve during the year (2015 - £nil).

The retained profit reserve represents cumulative profit or losses net of dividends paid and other adjustments.

16 Related party transactions

The company is a wholly owned subsidiary member of its group and has therefore taken advantage of the provisions of Section 33. 1A of FRS 102 the "The Financial Reporting Standard applicable in the UK and Republic of Ireland" not to disclose transactions with entities that are wholly owned members of the the group.

There were no other related party transactions to disclose.

17 Ultimate parent undertaking

The company's immediate parent is Minesto AB, incorporated in Sweden.

The most senior parent entity producing publicly available financial statements is Minesto AB. These financial statements are available upon request from Minesto AB's registered office address Vita Gavelns Väg 6, 426 71 Västra Frölunda, Sweden. Minesto AB is listed on First North at NASDAQ Stockholm.

18 Events after the financial period

There have been no significant events between the year end and the date of approval of these accounts which would require a change to, or disclosure in, the accounts.