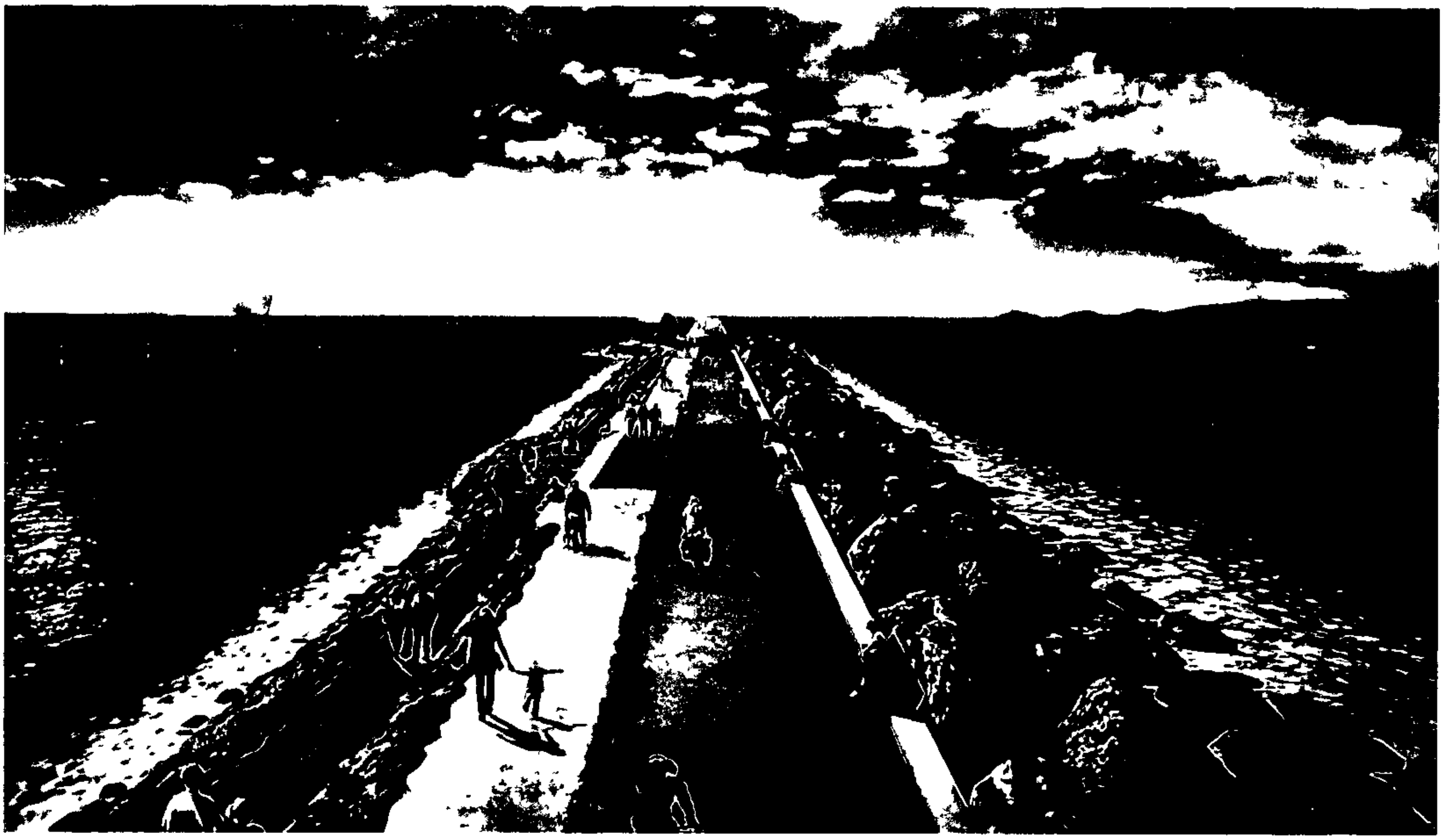
TIDAL LAGOON SWANSEA BAY



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Registration number: 08141301

www.tidallagoonswanseabay.com

Contents

Company Information

Directors

K Clarke
M C Shorrock
P J Carter
D H Slater
H Brockmueller
A Matthews
M Woodhams

Company secretary

P J Carter

Registered Number

08141301 (England and Wales)

Registered office

Suite 6 J Shed
Kings Road
Swansea
SA1 8PL

Registrars

SLC Registrars
42-50 Hersham Road
Walton-on-Thames
Surrey
KT12 1RZ

Accountants & Statutory Auditors

Davies Mayers Barnett LLP
Pillar House
113/115 Bath Road
Cheltenham
Gloucestershire
GL53 7LS

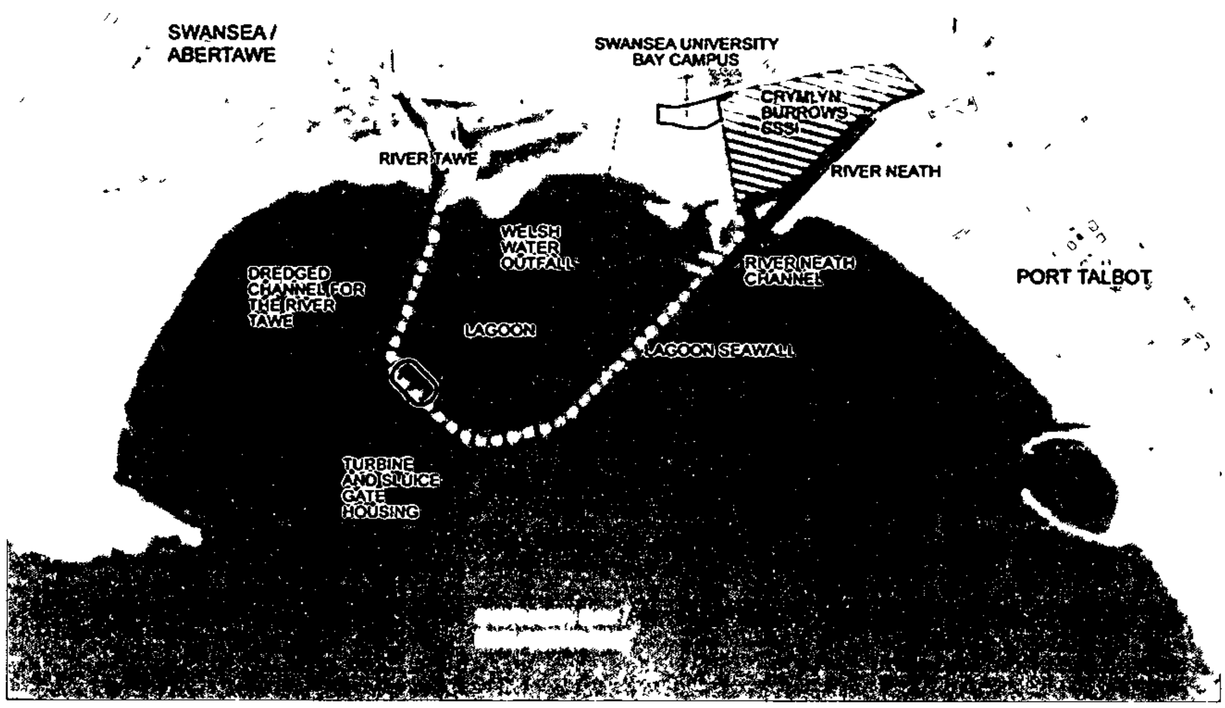
Glossary

ABP	Associated British Ports
AEMP	Adaptive Environmental Management Plan
CfD	Contract for Difference
DCO	Development Consent Order
DECC	Department of Energy and Climate Change
DVEP	Design and Value Engineering Phase
EU	European Union
GWh	Gigawatt hours
NRW	Natural Resources Wales
TLSB	Tidal Lagoon (Swansea Bay) Plc

Introduction to Tidal Lagoon (Swansea Bay) Plc

Tidal Lagoon (Swansea Bay) Plc ("TLSB" or the "Company") was established in 2012 as a special purpose vehicle company to develop, finance, build and operate a first-of-kind tidal range powered energy plant (the "Project" or "Lagoon") comprising a 9 5km land-attached breakwater structure within Swansea Bay, at the western end of the Severn Estuary, within which a section of hydro turbines will be installed, specifically designed to generate electricity from the 8 5m tidal range.

The Severn Estuary has the second highest tidal range in the world and Swansea Bay spring tides reach up to 12m, allowing for significant tidal head and thus power potential Tidal range power presents a long term 120 year opportunity far exceeding the typical design life for a wind farm, gas fired power station, or even a nuclear power plant



Once operational, the Lagoon is expected to be capable of delivering over 500 GWh of the UK's energy needs per annum in a predictable fashion sufficient electricity to power over 155,000 homes, more than Swansea's domestic electricity use requirement

The resulting development is understood to be the first man-made tidal lagoon and the largest tidal energy plant in the world The Project is designed to include a visitor centre, sporting facilities, mariculture farm and other amenities for the benefit of the local community

Further information

Further information regarding tidal lagoons and the project can be found on our website at www.tidallagoonswanseabay.com

Chairman's Statement

Following the Government's public announcement to phase out all coal fired power stations by 2025 in November 2015, the Company remains at the forefront of a strategic change in the UK energy mix providing a clear route to demonstrate how the UK can competitively deliver significant long-term green energy at scale over a relatively short time scale

The first stage of negotiations with the Department of Energy and Climate Change ("DECC"), announced in the March 2015 budget, concluded with the Government acknowledging that, given the longevity of any tidal lagoon generating asset, an amended Contract for Difference ("CfD") financing structure leveraging this extended asset life would be appropriate to ensure value for money to the tax payer and announcing a strategic review (the "Review") of the case for tidal lagoons to consider amongst other things, how lagoons would fit into the UK energy mix Whilst creating a delay in the delivery of the first lagoon at Swansea, these are positive developments for the Project as a whole and one of the key tasks for the year ahead is to maintain a constructive engagement across the political spectrum

In other areas, the Project has forged ahead over the course of the period

- The Project was granted a development consent order in June 2015 and has subsequently been working towards discharge of conditions and securing the other necessary consents,
- The Lagoon design has been advanced with solutions developed to address a range of engineering and cost challenges,
- Significant progress towards meeting our stated intention to deliver the Lagoon using 65% UK content has been fleshed out through working with the preferred bidders and potential UK supply chain, and
- We have made progress towards how the environmental aspects of the project construction and operation will be addressed through our work with Natural Resources Wales ("NRW") and other stakeholders on the drafting of an Adaptive Environmental Management Plan ("AEMP") which has now been submitted to the regulators for approval

In summary, 2015 has been a year where many parts of the framework required to deliver the first tidal lagoon have been achieved and the Government has recognised that tidal lagoons can make a difference and is now in the process of validating that position Whilst challenges remain, assuming a positive outcome from the Review in autumn 2016, we anticipate reaching financial close and starting on site in 2017

Keith Clarke CBE
Chairman
12 May 2016

Strategic Report

Business Review

We have continued to make substantial progress over the last twelve months towards our goal of constructing the first-of-a-kind tidal lagoon power plant

The Company does not expect to generate revenues until 'power on' targeted for 2022, following a five year construction programme which we anticipate commencing in 2017 Consequently, the Company made an operating loss for the year of £12 3m (2014 £9 2m) This is in line with the Directors' expectation of the expenditure required to reach this stage of the development phase

Development funding to date has been raised by public share offerings and loan capital This includes strategic backing from Prudential Greenfield LP, InfraRed Capital Partners Limited on behalf of funds that it manages and the Welsh Government It is anticipated that funding to financial close will be achieved by means of additional equity or loans from our equity sponsors and other funders which will be made available provided that certain conditions precedent can be met

Key Performance Indicators

The Company is managed around a series of goals that need to be achieved in order for the Project to be successful and the business is accordingly financially managed against a budget drawn up to achieve these objectives Broadly, the key goals are

1 Delivery of planning consents,
2 Robust engineering design and agreed contracts with core delivery consortium,
3 Agreement of land arrangements,
4 Government support in the form of a CfD,
5 Construction finance, and
6 Socio-economic benefits

Set out below is an overview of the progress that the Directors believe the Company has made towards these objectives as at the end of April 2016:

Delivery of planning consents

The Company was awarded it Development Consent Order ("DCO") on 9 June 2015 by the Secretary of State for DECC The next planning milestone to be achieved is a Marine Licence to enable works in Welsh waters We anticipate its award in early 2017

A number of other ancillary planning applications for on-shore works not covered by the DCO are also in the process of being consented

Robust engineering design and agreed contacts with core delivery consortium

The whole of 2015 has been marked by intense engineering activity and significant progress in the detailed engineering design of the Lagoon, especially interfaces between the individual contractor packages

Engineering solutions have been iterated by means of a collaborative design and value engineering phase ("DVEP") with our preferred contractor partners to ensure that the individual work packages have been properly integrated into a single programme, give confidence in the overall project delivery, provide validation of capital and operational costs sufficient to respond to detailed due diligence from DECC and provide sufficient certainty to meet other stakeholder requirements

Government support

Following the Chancellor of the Exchequer's confirmation of the Government's entry into bilateral negotiations with TLSB for a CfD in March 2015, we have been working with DECC and its advisors through a multi stage due diligence programme to verify commercial and technical aspects of the first-of-a-kind Swansea project and key parameters with regards to the future lagoon programme

As a result of progress made, in February 2016 the Government confirmed its willingness to consider an amended CfD mechanism which more appropriately matches subsidy with the asset life thereby reducing the overall subsidy requirements DECC also initiated the Review due to report in Q4 2016 which will, amongst other matters, look at how lagoons will integrate into the UK energy mix and how a competitive industry structure could be put in place Finalisation of the TLSB CfD discussions will be subject to the outcome of the Review

Land

The Swansea Bay Tidal Lagoon site has three principal landowners Associated British Ports ("ABP"), Swansea University and The Crown Estate Options to lease the necessary land areas from ABP and Swansea University together with the necessary long term easements with other parties are signed or in agreed final form

In July 2015, TLSB was awarded preferred bidder status for the Swansea Bay site, following a Crown Estate tidal leasing round Commercial negotiations are on-going to agree and finalise the necessary lease documents

Construction finance

Equity finance

Prudential Greenfield LP, through its investment vehicle Infracapital (TLSB) SLP LP, has supported the development phase and has the right to provide up to 65% of available construction equity for the Project on market terms InfraRed Capital Partners Limited on behalf of funds that it manages, who as the second institutional investor has also supported the development phase, has a right of first offer over 35% of available construction equity.

We anticipate that the equity funding arrangements will allow for current TLSB investors to also have the opportunity to reinvest part of their development phase returns into the construction phase of the Project

Debt finance

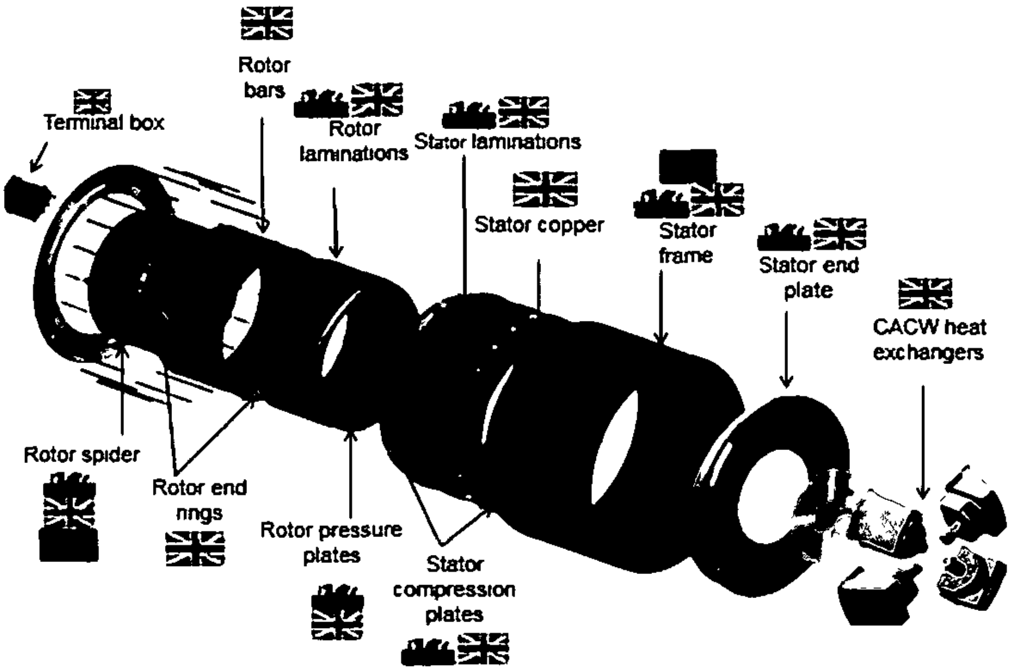
Macquarie Capital (Europe) Limited was appointed debt advisor in 2014 and initiated a first stage debt engagement process resulting in the initial receipt of 33 expressions of interest from potential debt financiers

The formal debt funding process is scheduled to commence in Q4 2016 following the conclusion of the Review The final funder group and associated debt funding structure will be selected in 2017 ahead of finalising legal documentation and financial close

Strategic Report

Socio-economic benefits

One of the areas that has been a particular focus and is closely aligned with UK government priorities is the ability of the Project to establish a strong UK supply chain benefitting from the lagoon construction Ensuring all Tier 1 contractors are committed to meeting this goal has been part of the DVEP stage of the Project and we are now well advanced in understanding how this can be achieved The image below demonstrates the extent of the manufacturing and assembly process for the turbine generator that, with the right political support and investment, we have the opportunity to bring to the UK



Principal Risks and Uncertainties

The Directors consider that the principal risks and uncertainties facing the Company are as follows

Planning consents

As noted above, development consent was received on 9 June 2015 We anticipate being granted a marine licence in early 2017 and getting agreement to the AEMP later that year Any delays in being granted a marine licence or agreement of the AEMP could lead to the Company incurring additional costs and delays to the construction programme

Land agreements

For the Project to proceed the Company will need to secure long term land options and lease agreements with the relevant land owners including The Crown Estate for a cost commensurate with those in our financial model Whilst most land agreements have now been agreed, we are in a leasing process with The Crown Estate

Government policy/Contract for Difference

To achieve its objectives, the Company has to negotiate a subsidy with DECC on terms acceptable to funders We are now working with DECC on an amended CfD structure that should offer better value for money for taxpayers on long dated assets, such as lagoons Whilst we have entered into negotiations with DECC, any agreement will be subject to a satisfactory outcome of the Review as well as EU State Aid clearance

Construction programme risk

The Company has a detailed works programme underlying the targeted power-on date, which the Company believes is achievable assuming the Company obtains Government support and EU State Aid clearance in the anticipated timescale and other key assumptions are also met These include procurement, mobilisation, early engagement funding, marine consents, weather and temporary works Changes in any of these assumptions may have an impact on the programme

Financial Risk - Short Term
The Company meets its day-to-day working capital requirements through cash raised as part of its ongoing fund raising activities and loans from strategic partners

The Directors have prepared projected cash flow information for the next twelve months taking account of projected expenditure to meet the proposed project timetable and anticipated funds from the Company's construction equity sponsors and elsewhere The Directors have taken into consideration actions they could take in response to reasonable cash flow sensitivities arising from adverse timing differences in the raising of funds On this basis, the Directors believe that the Company will continue to operate within funds available to it

Whilst the Directors believe the going concern basis is appropriate, the inherent uncertainties of the project at this stage and the impact on this assessment are further explained in Note 2

Financial Risk - Long Term
For the Project to proceed beyond the development phase, the Company will need to raise an estimated £1,300m of construction finance under project finance arrangements underpinned by a financial model Cost and revenue assumptions within the financial model are being validated with our supply chain and the Board believe the final model will continue to be financeable Furthermore, and as noted above, the Company is currently in discussions with a number of potential funders and the Directors are confident that the necessary funding will be achieved

Future Development and Performance

Whilst we have come a long way to achieving our goals, 2016 will be a critical year to the successful delivery of the Project Over the next period we have to secure Government support for the Project which underpins the Lagoon's revenues, secure land options with The Crown Estate, finalise optimising the design components, negotiate fixed price contracts with the prime contractors and secure construction finance to build the Project

Assuming that a Marine Licence is awarded and construction finance is raised, it is anticipated that construction of the Project will commence on site in late 2017 with power-on targeted for 2022 The Directors believe that, whilst challenging, we are well placed to achieve these goals

Approved by the Board on 12 May 2016 and signed on its behalf by

PJ Carter

P J Carter
Director

Board

Keith Clarke CBE - Non-Executive Chairman
Keith has occupied some of the most senior roles in the UK construction industry having been CEO of Trafalgar House Construction, CEO of Kvaerner Construction, UK CEO of Skanska AB, CEO WS Atkins and most recently a number of non-executive and advisory roles including Chair of The Forum for the Future and non-executive director of Sirius Minerals Plc

Mark Shorrock – Chief Executive Officer
Mark is a successful UK renewable energy innovator who, to date, has been responsible for the consenting of 31 UK based solar and wind sites with a total installed capacity of 312MW He also sold the largest pre-consent pipeline of UK wind assets in 2006 and pioneered two first-of-kind renewable energy investment vehicles, one specialising in early stage low carbon companies and the other focused on solar power investments

Patrick Carter – Chief Financial Officer
Patrick is a qualified Chartered Accountant and Barrister Having trained at Deloitte, he was appointed Group Finance Director of Aukett Fitzroy Robinson Group Plc in 2002, one of the UK's leading international commercial architectural practices Between 2007 and 2012, he was Finance Director of Charteris Plc, an AIM quoted business consultancy and IT systems integrator

David Slater CB – Non-Executive Director
David was previously Chief Inspector of HM Inspectorate of Pollution, a Director of the Environment Agency, founded the Risk Consultancy Technica (now part of DnV) and now runs an environmental consultancy, Cambrensis, based in Wales As an Honorary Professor in the School of Engineering, Cardiff, he is involved in projects such as marine renewables, systems risk and cyber security

Horst Brockmueller – Non-Executive Director
Horst is Chairman and Managing Partner of Catalyst Equity Partners LLP and provides valuable funding and financing experience to help guide the staged financing of the Lagoon through to completion He brings a network of European funders

Andrew Matthews – Non-Executive Director
Andy Matthews joined Infracapital in 2015 to lead its greenfield infrastructure investment activities, previously he was a Partner in 3i plc's infrastructure team Andy has over 30 years' of infrastructure financing, development and asset management experience Andy is a Fellow of the Royal Institute of Chartered Surveyors and the Chartered Institute of Arbitrators

Mark Woodhams – Non-Executive Director
Mark has been investing in infrastructure projects for the last 18 years He joined InfraRed Capital Partners Limited in 1995 and since then has been responsible for a number of their largest and most complex infrastructure investments globally He chairs the InfraRed investment committee for greenfield infrastructure and chairs the project company that built and operates the Singapore SportsHub

The Directors present their Annual Report for Tidal Lagoon (Swansea Bay) Plc (company number 08141301) together with the financial statements for the year ended 31 December 2015

Dividends
No dividends will be distributed for the year ended 31 December 2015

Board of Directors
The Company is led and controlled by a Board of Directors

The Board currently comprises two executive directors and five non-executive directors who bring a wide range of experience and skills to the Company, two of whom are considered independent

The Board meets regularly to determine the policy and business strategy of the Company and has adopted a schedule of matters that are reserved as responsibilities of the Board The Board has delegated certain authorities to board committees, each with formal terms of reference

Directors of the Company
The Directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report except as noted below

M C Shorrock

P J Carter

D H Slater

H Brockmueller

K E Clarke

E Clarke (resigned 11 June 2015)

A Matthews (appointed 11 June 2015)

M Woodhams (appointed 31 July 2015)

Biographical details are set out on page 8

Audit Committee
The main role and responsibility of the Audit Committee is to monitor the integrity of the financial information published by the Company about its financial performance and position It does this by keeping under review the adequacy and effectiveness of the internal financial controls and by reviewing and challenging the selection and application of important accounting policies, the key judgements and estimates made in the preparation of the financial information and the adequacy of the accompanying narrative reporting

The Audit Committee is also responsible for overseeing the relationship with the external auditor which includes considering their selection, independence, terms of engagement, remuneration and performance

It meets at least once a year with the external auditor to discuss audit planning and the audit findings, with certain executive directors attending by invitation If appropriate, the external auditor attends part of each committee meeting without the presence of any executive directors

The Audit Committee is chaired by Horst Brockmueller and also comprises Andrew Matthews

Remuneration & Nominations Committee

The Remuneration & Nominations Committee is responsible for keeping under regular review the size, structure, remuneration and composition (including the skills, knowledge, experience and diversity) of the Board and senior employees The committee approves the appointment and remuneration of senior employees This includes considering business planning taking into account the skills and expertise expected to be needed in the future as the Company's strategic goals move through the development, construction and operational phases The Remuneration & Nominations Committee is chaired by Andrew Matthews

Environmental policy

The Company is committed to protecting the environment by complying with all relevant UK legislation, meeting national standards relating to the environment and adopting best working practices currently in use by the industry

The Company uses the word environment to cover the natural environment and ecosystems as well as the built environment and the effect the Company's operations can have on peoples' lives and heritage

Health and Safety

The Company seeks to promote all aspects of health and safety at work throughout its operations in the interests of employees, contractors and visitors

The Company has a Health and Safety Steering Committee chaired by David Slater to guide the Company's health and safety policies and activities Health and safety is a standing item on the agenda of each Board meeting

Company policies on health and safety are regularly reviewed and revised

Research and Development Activities

A significant part of the Company's activities are directed towards research and development

Research and development, in its widest sense, encompasses the use of scientific or technological knowledge in order to produce new or substantially improved materials, devices, products or services to install new processes and systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

Whether it be engineering, project design, environmental impact assessment or other related projects, the Directors consider that these activities fall squarely within this definition What the Company is seeking to achieve is in every way pushing forward the boundaries of science and engineering, and seeking to achieve a major technological advance

The results of our activities will create intellectual property, rights, permits, contracts and know-how that are required in order to design, build and operate a first of kind power plant We are confident that our activities will make an appreciable advance in the overall knowledge and capability within this field and we are, and will continue to be, a leader in the advance of knowledge and capability in the field of renewable energy using tidal technology

Disclosure in the Strategic Report

Other matters required to be disclosed in the Report of the Directors in accordance with section 416(4) of the Companies Act 2006 in relation to financial risks and future developments are set out in the Strategic Report on pages 4 to 7 in accordance with section 414C(11) of the Companies Act 2006

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable accounting standards have 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 Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Approved by the Board on 12 May 2016 and signed on its behalf by

P J Carter
Director

Report of the Independent Auditors

We have audited the financial statements of Tidal Lagoon (Swansea Bay) Plc for the year ended 31 December 2015 on pages 14 to 28 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the Directors are 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 and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistence 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 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 2015 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter

The financial statements have been prepared on a going concern basis, the validity of which is dependent upon the timing of cash flows from the Company's fund raising activities and the availability of alternative funding as referred to in Note 2 of the financial statements. In forming our opinion, which is not qualified in respect of this matter, we have considered the adequacy of the disclosures made in the financial statements The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Report of the Independent Auditors

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.

N Smith

Nicola Smith (Senior Statutory Auditor)
for and on behalf of Davies Mayers Barnett LLP
Statutory Auditors
Pillar House
113/115 Bath Road
Cheltenham
Gloucestershire
GL53 7LS

Date 12-5-16

Statement of Comprehensive Income
Year Ended 31 December 2015

	Notes	2015 £'000	2014 £'000
TURNOVER		-	-
Administrative expenses		**(12,315)**	(9,180)
		(12,315)	(9,180)
Other operating income		**11**	4
OPERATING LOSS	*5*	**(12,304)**	(9,176)
Interest receivable and similar income		**5**	4
		(12,299)	(9,172)
Interest payable and similar charges	*6*	**(474)**	(30)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(12,773)**	(9,202)
Tax credit on loss on ordinary activities	*7*	**1,402**	1,756
LOSS FOR THE FINANCIAL YEAR		**(11,371)**	(7,446)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(11,371)**	(7,446)

Balance Sheet
As at 31 December 2015

	Notes	2015 £'000	2014 £'000
CURRENT ASSETS			
Debtors	*8*	**1,803**	1,674
Cash at bank		**1,883**	2,189
		3,686	3,863
CREDITORS			
Amounts falling due within one year	*9*	**(12,687)**	(2,839)
NET CURRENT(LIABILITIES)/ASSETS		**(9,001)**	1,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**(9,001)**	1,024
CREDITORS			
Amounts falling due after more than one year	*10*	**-**	(515)
NET (LIABILITIES)/ASSETS		**(9,001)**	509
CAPITAL AND RESERVES			
Called up share capital	*12*	**146**	135
Share premium	*13*	**16,337**	14,487
Profit and loss account	*13*	**(25,484)**	(14,113)
SHAREHOLDERS' FUNDS		**(9,001)**	509

The financial statements were approved by the Board of Directors on 12 May 2016 and were signed on its behalf by

P J Carter
Director

M C Shorrock
Director

Statement of Changes in Equity
Year Ended 31 December 2015

	Called up Share Capital £'000	Profit and Loss £'000	Share Premium £'000	Total Equity £'000
Balance at 1 January 2014	73	(6,667)	3,769	(2,825)
Changes in equity				
Issue of share capital	62	-	10,718	10,780
Total comprehensive income	-	(7,446)	-	(7,446)
Balance at 31 December 2014	135	(14,113)	14,487	509
Changes in equity				
Issue of share capital	11	-	1,850	1,861
Total comprehensive income	-	(11,371)	-	(11,371)
Balance at 31 December 2015	146	(25,484)	16,337	(9,001)

Cash Flow Statement
Year Ended 31 December 2015

	Notes	Year Ended 31 Dec 15 £'000	Year Ended 31 Dec 14 £'000
Cash flows from operating activities			
Cash generated from operations	*18*	**(12,832)**	(9,896)
Interest paid		**(22)**	(30)
Tax credit received		**1,052**	806
Net cash from operating activities		**(11,802)**	(9,120)
Cash flows from investing activities			
Interest received		**5**	4
Net cash from investing activities		**5**	4
Cash flows from financing activities			
New loans in year		**10,144**	990
Loan repayments in year		**-**	(475)
Loans converted to share capital		**(515)**	-
Share issue		**1,862**	10,780
Net cash from financing activities		**11,491**	11,295
(Decrease)/Increase in cash and cash equivalents		**(306)**	2,179
Cash and cash equivalents at beginning of year	*19*	**2,189**	10
Cash and cash equivalents at end of year	*19*	**1,883**	2,189

1. *Company Information*

The Company is a public limited company, incorporated in the United Kingdom The Company's registered office is Suite 6, J Shed, Kings Road, Swansea, SA1 8PL and its principal place of business is situated at Pillar and Lucy House, Merchants Road, Gloucester, GL2 5RG.

2. *Accounting Policies*

The principal accounting policies applied in the preparation of these financial statements are set out below

Basis of preparation

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" ("FRS102") They are prepared on a going concern basis and on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified below. They are presented in Pounds Sterling, rounded to the nearest thousand pounds

These financial statements have been prepared under FRS102 for the first time and details of the transition are disclosed in note 20

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 4 to 7 The principal risks and uncertainties section on pages 6 and 7 provides further details of the principal risks affecting the Company

The Directors have prepared projected cash flow information for the next 12 months from the date of approval of the financial statements These take account of projected expenditure to meet the proposed project timetable, funds available to the Company from its construction equity partners and elsewhere and actions the Board may take in response to reasonable cash flow sensitivities that arise from adverse timing differences in the raising of funds

Whilst the Directors fully believe the going concern basis is appropriate, the nature of the Company's activities during the current development phase is that there is inherent uncertainty over the timing of certain milestones achievements and therefore the availability of finance from our funders linked to those milestones and the availability of alternative finance should this be required However, after making enquiries and considering these uncertainties, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

If the Company were unable to continue to trade, adjustments would have to be made to reduce the value of the assets to their recoverable amount, to provide for any further liabilities that might arise and to reclassify long term liabilities as current liabilities

Turnover

Turnover represents amounts receivable for the provision of goods and services, excluding value added tax All turnover arose in the United Kingdom and represents ancillary income resulting from the Company's activities in developing the tidal lagoon and associated projects

Accounting Policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity In this case tax is also recognised in other comprehensive income or directly in equity respectively

Current or deferred taxation assets and liabilities are not discounted

Current tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using tax rates and laws that have been enacted or substantively enacted by the reporting date

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account when it is incurred

Expenditure on development activities, which can be separately distinguished from the research phase of a project, is capitalised if the product or process can be demonstrated as technically and commercially feasible, will generate probable future economic benefits and that the Company has adequate technical, financial and other resources available to complete the development Other development expenditure is recognised in the profit and loss account as incurred

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction Exchange differences are taken into account in arriving at the operating result

Share based payments

The cost of equity-settled transactions is recognised in the profit and loss account, together with a corresponding increase in equity, measured by reference to the fair value of the equity instruments granted in respect of the services provided

Accounting Policies (continued)

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investment in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts, discounted at a market rate of interest

Such assets are subsequently carried at amortised costs using the effective interest method

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate The impairment loss is recognised in the profit and loss

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised The impairment reversal is recognised in the profit and loss

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down In this case, the fee is deferred until the draw-down occurs To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers Accounts payable are classified as current liabilities if payment is due within one year or less If not, they are presented as non-current liabilities Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method

Accounting Policies (continued)

Non-basic financial instruments are initially recognised at fair value on the date they are entered into and are subsequently re-measured at fair value Changes in the fair value of non-basic financial instruments are recognised in the profit and loss in finance costs or finance income as appropriate

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires

(iii) Compound financial instruments

Compound financial instruments issued by the company comprise loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements where there is a legally enforceable right to set off the recognised amounts and there is an intention on a net basis or to realise the asset and settle the liability simultaneously

Share capital

Ordinary shares and E ordinary shares are classified as equity Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds

3. *Critical Accounting Judgements and Estimating Uncertainty*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below

i) Fair value of the 2018 Loan Note liability

The fair value of the loan notes requires an assessment as to the level of certainty of the outcome of a number of contingent events and the impact on potential lender returns

Critical Accounting Judgements and Estimating Uncertainty (continued)

ii) Research and Development tax credit

The Company makes a provision for the estimated rebate from HMRC for research and development which requires an assessment of qualifying expenditure meeting HMRC guidelines and relevant tax legislation

4. *Staff Costs*

	Year Ended 31 Dec 15 £'000	Year Ended 31 Dec 14 £'000
Directors' fees	**27**	37

The average monthly number of employees during the year was nil (2014 nil)

5. *Operating Loss*

	Year Ended 31 Dec 15 £'000	Year Ended 31 Dec 14 £'000
The operating loss is stated after charging/(crediting)		
Auditors remuneration – audit services	**7**	6
Auditors remuneration – other services	**65**	87
Foreign exchange differences	**(11)**	(4)
Research and development expense	**6,493**	4,835
Directors' remuneration	**27**	37

Certain directors holding office received their emoluments from the related company, Shire Oak Energy Limited, and notes to the financial statements of Shire Oak Energy Limited include the disclosure of directors' remuneration An element of the remuneration is then recharged to this Company via the related company, Tidal Lagoon Power Limited (see note 16)

6. *Interest Payable and Similar Charges*

	Year Ended 31 Dec 15 £'000	Year Ended 31 Dec 14 £'000
Other loan interest	**452**	13
Other interest	**22**	17
	474	30

7. *Taxation*

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows

	Year Ended 31 Dec 15 £'000	Year Ended 31 Dec 14 £'000
Current tax		
UK corporation tax	**1,300**	950
Under provision in prior year	**102**	806
	1,402	1,756

Reconciliation of total tax credit included in profit and loss account

The tax assessed for the year is higher than the standard rate of corporation tax in the UK The difference is explained below

	Year Ended 31 Dec 15 £'000	Year Ended 31 Dec 14 £'000
Loss on ordinary activities before tax	**12,773**	9,202
Loss on ordinary activities		
Multiplied by the standard rate of corporation tax in the UK of 20% (2014 20%)	**2,555**	1,840
Effects of		
Expenses not deductible for tax purposes	**-**	(36)
Utilisation of tax losses	**(1,793)**	(1,465)
Additional deduction for research and development expenditure	**1,009**	814
Unrelieved tax losses carried forward	**(1,771)**	(1,153)
Current year research and development tax credit	**1,300**	950
Adjustment to tax charge in respect of previous years	**102**	806
Total tax credit	**1,402**	1,756

Factors that may affect future tax charges

Taxable losses in the order of £18,000,000 have been incurred and are available for use against future taxable profits (2014 £9,000,000) A deferred tax asset has not been recognised however as the Company does not anticipate taxable profits to arise within the immediate future

8. *Debtors: Amounts Falling Due Within One Year*

	2015	2014
	£'000	£'000
Other debtors	**452**	724
Corporation tax recoverable	**1,300**	950
Prepayments	**51**	-
	1,803	1,674

9. *Creditors: Amounts Falling Due Within One Year*

	2015	2014
	£'000	£'000
Loans (see note 11)	**10,543**	-
Trade creditors	**1,270**	2,305
Accruals	**874**	534
	12,687	2,839

10. *Creditors. Amounts Falling Due After More Than One Year*

	2015	2014
	£'000	£'000
Loans (see note 11)	**-**	515

11. *Loans*

An analysis of maturity of loans is given below

	2015	2014
	£'000	£'000
Amounts falling due within one year		
2018 Loan Notes	**9,293**	-
Other loans	**1,250**	-
	10,543	-
Amounts falling due between one and two years		
Convertible loan stock	**-**	515

The 2018 Loan Notes are redeemable on the earlier of 1 June 2016 (if certain criteria have not been met in respect to the status of the CfD discussions with DECC), financial close of the Project and 31 December 2018 and have been fair valued through the profit and loss at their subscription price plus accrued interest at 20%

The contractual return on the loan notes is contingent on a number of events at financial close including the lenders subscribing for construction equity at that point The maximum amount that might be paid out on financial close were all contingent events satisfied is £26,682,000

The loan notes are secured against a floating charge against all assets of the Company

12. *Called Up Share Capital*

	2015	2014
	£'000	£'000
Allotted issued and fully paid		
28,220 Ordinary Shares of £5 each (2014 25,996)	**141**	130
1,000 E Ordinary Shares of £5 each (2014 1,000)	**5**	5
	146	135

During the year the Company issued 2,224 Ordinary shares of £5 each for a total consideration of £1,933,000 resulting in an additional share premium of £1,922,000 Costs of £71,000 were incurred as a result of the share issues and these costs have been debited against the share premium account

Included in the above is a share based payment to LDA Design for £35,000

Also included above is convertible loan stock issued to Costain Energy Solutions Limited This was converted on 8 July 2015 for a value of £515,000

13. *Reserves*

	Share Premium	Profit & Loss	Total
	£'000	**£'000**	**£'000**
At 1 January 2015	**14,487**	**(14,113)**	**374**
Deficit for the year	**-**	**(11,371)**	**(11,371)**
Cash share issue	**1,850**	**-**	**1,850**
At 31 December 2015	**16,337**	**(25,484)**	**(9,147)**

14. *Contingent Liabilities*

The Company has agreed a contingent fee basis with certain suppliers that is dependent on the outcome of future events At the balance sheet date, the maximum liability of the Company to these suppliers amounted to £3,835,000 (2014 £1,953,000)

Details of contingent liabilities relating to outstanding loan notes are set out in Note 11

15. *Capital Commitments*

The Company had no capital commitments at the balance sheet date (2014 £Nil)

16. *Related Parties*

Tidal Lagoon Power Limited ("TLP"), Shire Oak Energy Limited ("SOE") and Shire Oak Quarries Limited ("SOQ")

The Company directors, M C Shorrock and P J Carter are members of the Board of TLP, SOE and SOQ and ultimate control of all companies also resides with M C Shorrock

Related Parties (continued)

TLP provides development resource and management services to the Project under a services agreement During the year transactions were undertaken with TLP as follows

	2015	2014
	£'000	£'000
Professional services	**(2,476)**	(2,262)
Other charges	**(911)**	(199)
	(3,387)	(2,461)

At the year end, amounts were held on the balance sheet as owing by the Company to TLP as follows

	2015	2014
	£'000	£'000
Trade creditors	**389**	837
Accruals	-	100
	389	937

During the previous year the Company was provided with a loan by SOE that had been fully repaid at the 2014 year end Included in the profit and loss account in the prior year is interest, charged at a rate of 10% per annum, in respect of this loan amounting to £13,000

Included within the profit and loss account are costs recharged from SOQ during the year amounting to £Nil (2014. £26,000) which relate to examining infrastructure requirements associated with the potential delivery to site of rock by sea in the necessary quantities from Dean Quarry

Tidal Lagoon Plc ("TLPLC")

The Company directors, K Clarke, M C Shorrock and P J Carter are members of the Board of TLPLC and ultimate control of the company also resides with M C Shorrock

At the year end, amounts were held on the balance sheet as owing by the Company to TLPLC as follows

	2015	2014
	£'000	£'000
2018 Loan Notes	**1,020**	-

Included in the profit and loss account in the year is accrued interest, charged at a rate of 20% per annum, in respect of this loan amounting to £20,000 (2014 £Nil)

TLPLC has provided a guarantee amounting to £3,860,000 plus accrued interest over certain 2018 Loan Notes issued per Note 11

Good Energy Limited ("GE") and Good Energy Tidal Limited ("GET")

The director, M C Shorrock's spouse is a director and CEO of GE and GET In 2014, the Company entered into a power purchase agreement with GE and GET, providing an option to purchase 10% of the future power output from the Project on arm's length commercial terms

Related Parties (continued)

At the same time, a fixed and floating charge over the assets of the Company was granted to GE for the purposes of protecting that option

Ruxton Enterprises Limited ("REL")

D Slater is a non-executive director and is also director of REL Ultimate control of REL resides with D Slater

Included within the profit and loss account are Health & Safety consultancy services provided by REL amounting to £28,000 (2014 Nil).

Hollingshead Construction Limited ("HCL")

S Hollingshead was a director of the Company for part of the previous year and is also a director of HCL Ultimate control of HCL also resides with S Hollingshead

Included within the profit and loss account in the previous year are management services provided by HCL amounting to £119,000

17. *Post Balance Sheet Events*

Repayment of other loans amounting to £1,250,000 plus accrued charges and interest detailed in the balance sheet as payable within one year were renegotiated after the balance sheet date and are now due after more than one year

18. *Reconciliation of Loss before Taxation to Cash generated from Operations*

	2015	2014
	£'000	£'000
Loss before taxation	**(12,773)**	(9,202)
Finance costs	**474**	30
Finance income	**(5)**	(4)
	(12,304)	(9,176)
Decrease/(increase) in trade and other debtors	**221**	(179)
Decrease in trade and other creditors	**(749)**	(541)
Cash generated from operations	**(12,832)**	(9,896)

19. *Cash and Cash Equivalents*

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts

Year ended 31 December 2015

	31 Dec 15	**1 Jan 15**
	£'000	**£'000**
Cash and cash equivalents	**1,883**	**2,189**

Year ended 31 December 2014

	31 Dec 14	1 Jan 14
	£'000	£'000
Cash and cash equivalents	2,189	10

20. *First Year Adoption*

The Company has adopted FRS102 for the first time when preparing financial statements for the year ended 31 December 2015 The date of transition to FRS102 was 1 January 2014

The Directors do not consider there to be any significant changes to the nature of accounting policies previously adopted and those adopted under FRS102 that have an impact on the reported financial position and performance of the Company at the date of transition, or in the last reported financial statements prepared under the previous UK GAAP reporting regime for the year ended 31 December 2014, other than as noted below

The Company's cash flow statement reflects the presentation requirements of FRS102, which is different to that prepared under FRS1 This includes a reconciliation to cash and cash equivalents under FRS102 whereas under previous UK GAAP the cash flow statement reconciled to cash

As a result of the transition, there has been no impact or changes made in respect of the Company's level of profit or loss for the period or its equity position at the date of transition or at the last reported date

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tidal Lagoon (Swansea Bay) Plc (the "**Company**") will be held at Pillar and Lucy House, Merchants Road, The Docks, Gloucester, GL2 5RG at 10am on Thursday 23 June 2016 for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed, in the case of Resolutions 1 to 2 (inclusive), as ordinary resolutions

Ordinary Resolutions

1 THAT the report of the Directors and the audited accounts of the Company for the year ended 31 December 2015 be received and adopted

2 THAT Davies Mayers Barnett LLP be re-appointed auditors of the Company to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company, and that the Directors be authorised to determine the auditor's remuneration

BY ORDER OF THE BOARD

P J Carter

Patrick Carter
Company Secretary
Date 12 May 2016
Registered office Suite 6, J Shed, Kings Road, Swansea, Wales, SA1 8PL

Notes

1 An ordinary shareholder or an E ordinary shareholder entitled to attend and vote at the General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him Your proxy can, depending upon your shareholding, demand (or join in demanding) a poll on any or all of the resolutions A proxy need not be a member of the Company

2 A form of proxy is enclosed To be valid, the form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the Company's Registrars by post to SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ – no later than 48 hours before the meeting Completion of the form of proxy will not preclude a member from attending and voting in person

3 In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding

Shareholder Information

Registrars

Enquiries relating to matters such as loss of a share certificate or notification of a change of address should be directed to SLC who are the Company's registrars at 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ – 01372 467 308 – www davidvenus com.

Investor Relations

Periodic project updates are provided to existing investors If you have any questions in respect to shareholder communications please contact Raquel Hughes, by telephone 01452 303892 or email raquel hughes@tidallagoonpower com

We take our environmental responsibilities seriously and would like to send you future Notices via electronic means If you agree, enter the following URL into your web browser and register for Shareview, the online shareholder portal provided by our Share Registrar, Equiniti David Venus Limited, trading as SLC Registrars Alternatively, you can visit the Equiniti Shareview website (www shareview co uk) and access the Registration page by using the link at top-centre of the page Once registered, you will be able to view and confirm your holding in TLSB and holdings in any other companies for which Equiniti are Registrar, and, through the click of a button, register for all future TLSB communications to be provided by electronic means

https //portfolio shareview co uk/7/Portfolio/Default/en/Anonymous/Pages/RegistrationStep1 aspx

Active Supporters Group

The independent Active Supporters Group ("ASG") for Swansea Bay tidal lagoon has just short of 1,000 members If you support the Project and would like to join the ASG please contact

ASG, Swansea	Chris Kelly	chriskellyASG@gmail com
ASG, Neath Port Talbot	Ian Isaac	ianisaacASG@gmail com
ASG, Mumbles	Tony Cuff	tonycuffASG@gmail com
ASG, Gower, Wales and UK	Alan Glass	alanglassASG@gmail com

Joining the ASG is a simple and powerful way to express your support for the Project, and can involve as little or as much time as you are prepared to give. We really do appreciate any support and look forward to keeping the ASG up to date on all aspects of the Project

Further information

Further information and news for Swansea Bay tidal lagoon can be found at:

Website	www tidallagoonswanseabay com
Facebook	www facebook com/TidalLagoonSwanseaBay
Twitter	twitter com/TidalLagoon

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