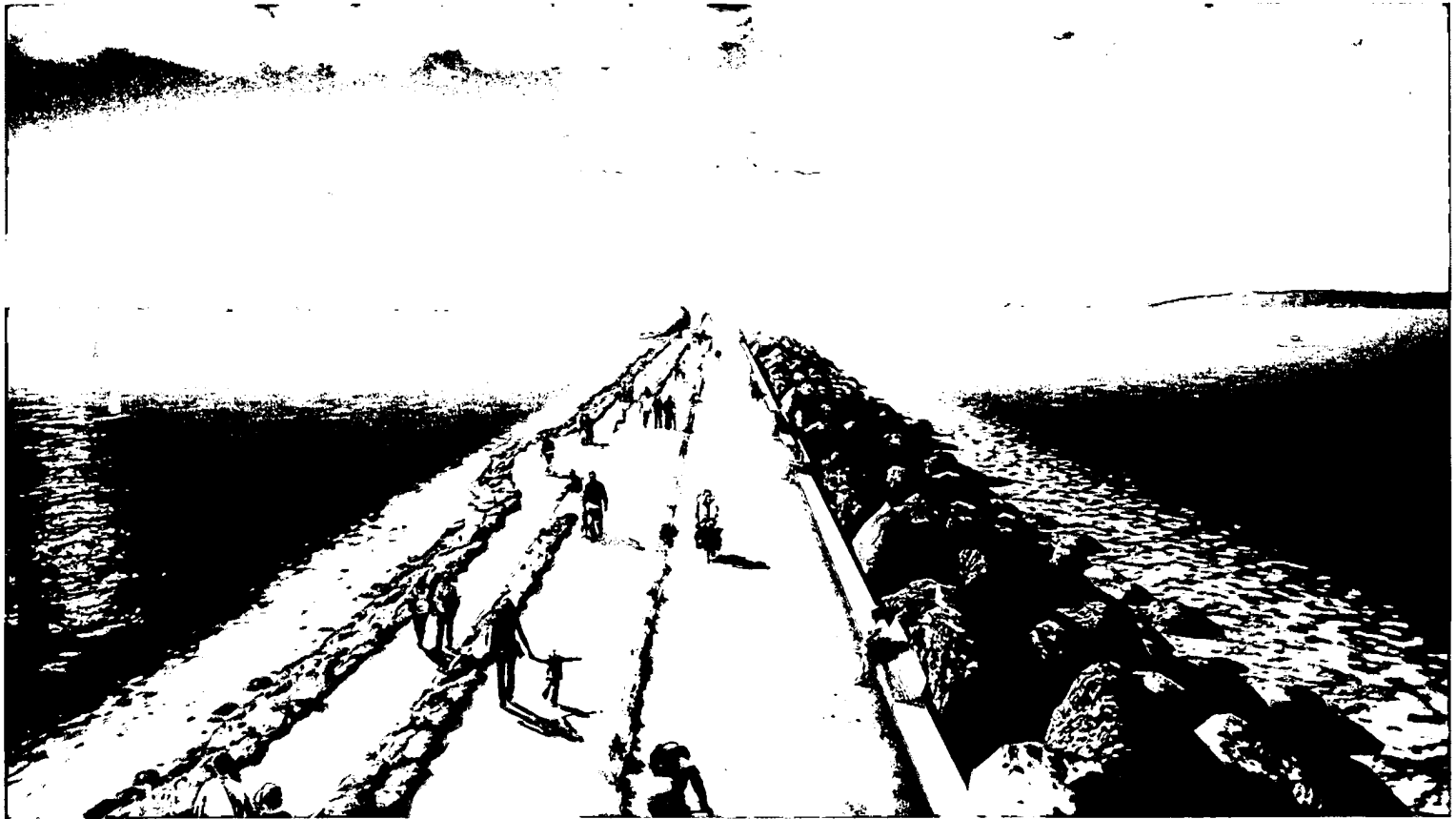




**TIDAL LAGOON  
SWANSEA BAY**



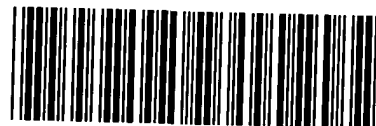
## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Registration number: 08141301

[tidallagoonpower.com](http://tidallagoonpower.com)

FRIDAY



\*A793M9V5\*

A13

29/06/2018

#303

COMPANIES HOUSE

---

## Contents

Glossary	1
Introduction to Tidal Lagoon (Swansea Bay) Plc	2
Chairman's Statement	3
Strategic Report	4
Board	8
Directors' Report	9
Report of the Independent Auditors	13
Statement of Comprehensive Income	16
Balance Sheet	17
Statement of Changes in Equity	18
Cash Flow Statement	19
Notes to the Financial Statements	20
Notice of Meeting	33
Shareholder Information	34

---

## Company Information

### *Directors*

K E Clarke	A Matthews
M C Shorrocks	J Hall-Smith
P J Carter	H Brockmueller
D H Slater	

### *Company secretary*

P J Carter

### *Registered Number*

08141301 (England and Wales)

### *Registered office*

Third Floor  
Civic Centre  
Oystermouth Road  
Swansea  
SA1 3SN

### *Registrars*

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

### *Accountants & Statutory Auditors*

Davies Mayers Barnett Audit Services  
Pillar House  
113/115 Bath Road  
Cheltenham  
GL53 7LS

---

## Glossary

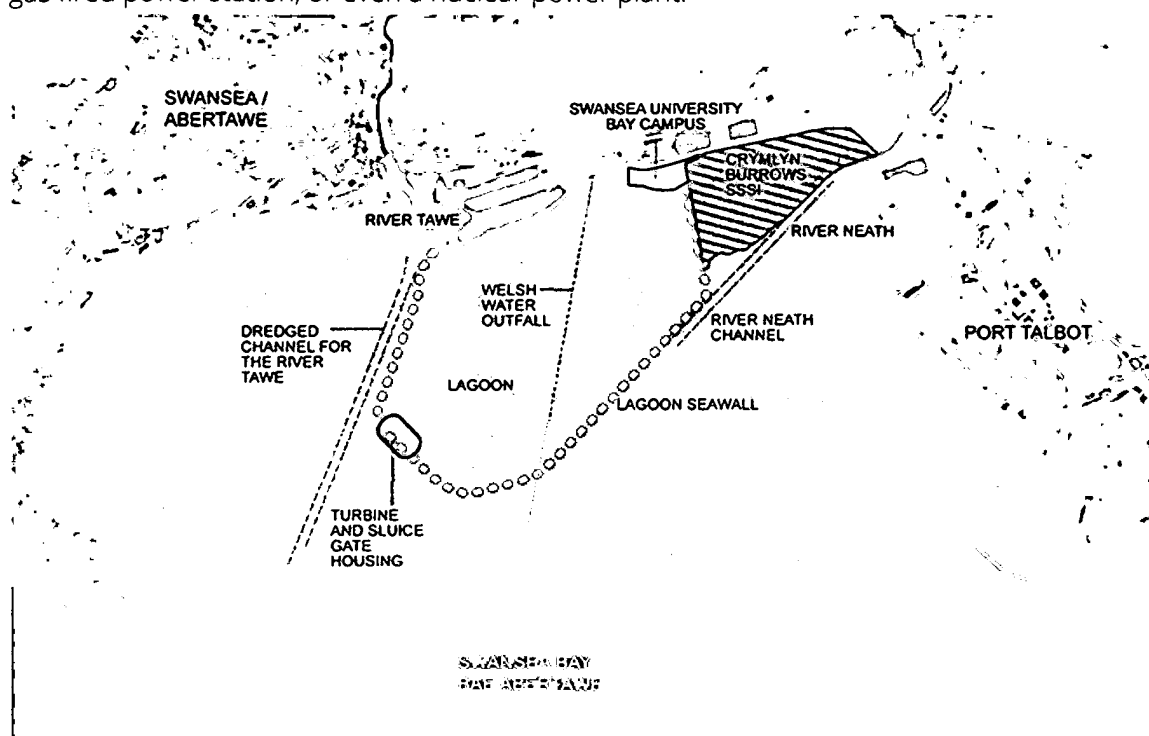
---

ABP	Associated British Ports
AEMP	Adaptive Environmental Management Plan
ASG	Active Supporters' Group
BEIS	Department of Business, Energy & Industrial Strategy
Company	Tidal Lagoon (Swansea Bay) Plc
CfD	Contract for Difference
DCO	Development Consent Order
EU	European Union
FRS	Financial Reporting Standard
GE	Good Energy Limited
GET	Good Energy Tidal Limited
GW	Gigawatts
GWh	Gigawatt hours
Hendry Review	The independent review of tidal lagoons chaired by Charles Hendry which reported in January 2017
HMRC	Her Majesty's Revenue & Customs
HMT	Her Majesty's Treasury
Lagoon	The tidal lagoon to be situated in Swansea Bay
NRW	Natural Resource Wales
Project	The tidal lagoon to be situated in Swansea Bay
REL	Ruxton Enterprises Limited
TLP	Tidal Lagoon Power Limited
TLPLC	Tidal Lagoon Plc
TLSB	Tidal Lagoon (Swansea Bay) Plc
TWh	Terrawatt hour

## 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-a-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 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 500GWh 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 [tidallagoonpower.com/projects/swansea-bay](http://tidallagoonpower.com/projects/swansea-bay).

## Chairman's Statement

---

The Hendry Review was published in January 2017 and gave a robust endorsement of a UK based tidal lagoon industry and a clear recommendation to proceed with the pathfinder project at Swansea Bay. Almost eighteen months on and we continue to advocate that tidal lagoons are a cost effective means to diversify the strategic energy mix of the UK and bolster domestic energy security.

Progress since the issue of the Hendry Report has taken significantly longer than anticipated this time last year, hindered by external political events. However, the intervention of the Welsh Government, who has offered to make a significant investment in the Project in order to secure the significant long term benefits that will be created by a tidal lagoon industry for Wales and the wider UK, has led to a collaborative approach between the two governments that we anticipate will result in the agreement of a bespoke Contract for Difference ("CfD") thereby enabling the Project to proceed.

We have used the time to strengthen the Project: gathering more data and evidence on the environmental aspects to support the remaining consent related activities; reinforcing the supply chain; iterating the construction methodology to improve project efficiencies and make the necessary preparations to enable us to promptly go out for tender of the marine works at the most opportune time. We are therefore in a good position to close out all remaining tasks and move to financial close on a timely basis once we have reached a formal heads of terms agreement with the UK Government.

We continue to benefit from strong support from the local community as the independent Swansea "Love the Lagoon" campaign testifies and we would like to thank all of our many supporters, partners and the development team for their commitment through what has been an extended period of uncertainty. The Company remains committed to making the Project happen and, assuming timely UK Government support is forthcoming, we look forward to mobilising the team that will deliver a first-of-a-kind, low carbon, tidal range electricity plant together with the significant industrial and amenity benefits that it is anticipated the Project will bring to Wales and the wider UK.

Finally, as the Project requires support from the UK Government in order to proceed, a further prolonged period of indecision or an adverse decision may mean that the Company will be unable to continue to operate as a Going Concern. We have set out the consequences of this in the main body of the financial statements.

Keith Clarke CBE  
Chairman  
25 May 2018

## Strategic Report

---

### Business review

We have continued to make 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 initial 'power on', after circa three years of a five year construction programme which we anticipate commencing in 2020. The Company made an operating loss for the year of £3.1m (2016: £6.1m) which reflects the reduced level of activity and progressive cost reductions made in response to the prolonged period the UK Government has taken to endorse the Hendry Review. Until such time as there is sufficient certainty from UK Government to draw in additional funding, the Company has minimised its ongoing activities.

Development funding to date has been raised by public share offerings and loan capital. This included 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, provided political consensus to proceed is secured on a timely basis, will be made available provided the Project is financially viable and 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 against a budget drawn up to achieve these objectives. Broadly, the key goals are:

1. Government support in the form of a CfD;
2. Delivery of planning and marine consents;
3. Robust engineering design and agreed contracts with core delivery consortium;
4. Agreement of land arrangements;
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 date of this report.

### Government support

The Hendry Review into the Tidal Lagoon Industry was published in January 2017 ([hendryreview.wordpress.com](http://hendryreview.wordpress.com)) and endorsed tidal lagoons as a potential cost effective participant in the UK energy mix. It made a recommendation that the UK Government move to secure the pathfinder project at Swansea as swiftly as possible. However, due to external political events including Brexit and a general election, it has taken significantly longer than anticipated for the UK Government to respond. Together with continued cross-party parliamentary support, the intervention of the Welsh Government has proved to be a decisive

## Strategic Report

---

factor and, assuming the UK Government agree to move forward, we anticipate the next step will be the agreement of a bespoke CfD heads of terms that meets all parties' requirements.

### Delivery of planning consents

The Company was awarded its Development Consent Order ("DCO") in mid-2015 and is in the process of preparing to enable discharge of conditions imposed. In parallel TLSB is working with Natural Resource Wales ("NRW") to secure a Marine Licence to enable the commencement of works in Welsh waters, which we anticipate will be awarded in 2019.

A number of other ancillary planning applications for onshore works not covered by the DCO will also need to be consented.

### Robust engineering design and agreed contacts with core delivery consortium

2017 saw continued progress in the detailed engineering design of the Lagoon and the related integrated construction programme. A tender process for the marine and civil works is at an advanced stage and is expected to be ready for issue shortly after the UK Government has confirmed its position.

### 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.

The Crown Estate awarded preferred bidder status to the Company for the Swansea Bay site in July 2015 following a competitive tidal leasing round. Commercial negotiations to agree and finalise the necessary lease documents are expected to resume once the arrangements with Government have been agreed.

### 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. The final funder group and associated debt funding structure will be selected at an appropriate point ahead of finalising legal documentation and financial close.

## Strategic Report

---

### Socio-economic benefits

The Hendry Review highlighted the UK centric supply chain opportunities that a tidal lagoon programme could bring. This has been a strong focus for the Company and, as noted by Hendry in his report, "it would be hard to find a project where there have been such detailed discussions with potential suppliers at this stage in the project's development, about the finer details of where each component would be produced and to emphasise the need for this to be done in Wales/the UK". We aim to deliver significant UK content and are proceeding with our tier 1 contractors on that basis.

### Principal risks and uncertainties

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

#### *Government policy/Contract for Difference*

The willingness of the UK Government to adopt the recommendations of the Hendry Review and support a programme of tidal lagoons with Swansea Bay as the pathfinder is the primary risk upon which the future of the Company rests. Future funding and a number of critical project delivery factors are dependent upon achieving that milestone within an acceptable timeframe including meeting the proposed delivery programme and access to the development team with deep project knowledge currently employed by TLSB's sister company, Tidal Lagoon Power Limited.

It is anticipated that there will be a UK Government decision in the next few months and the nature of this decision is likely to have a binary impact on the Company's future activities. An adverse decision may lead to the Company ceasing to trade.

Assuming a UK Government decision to proceed, to achieve its objectives the Company will have to negotiate a CfD heads of terms with the Department for Business Energy and Industrial Strategy ("BEIS") which is both acceptable to funders and likely to obtain a timely EU State Aid clearance.

#### *Planning consents*

We are working to amicably resolve outstanding points with NRW, predominantly in relation to fish, and therefore anticipate being granted a Marine Licence and getting agreement to the Adaptive Environmental Monitoring Plan ("AEMP") in 2019.

We are also in the process of getting clarity via the Welsh Government as to the means by which the DCO conditions are discharged given the offshore nature of the works.

Any delays in these elements being resolved could lead to the Company incurring additional costs and deferral of 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

## Strategic Report

---

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 as noted above.

### *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 agreement on the CfD from the UK Government 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 loans from its construction equity sponsors. Until such time as the UK Government has made its position clear, funding from those sources is limited.

The Directors have prepared projected cash flow information for the next twelve months taking account of projected expenditure 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 timing differences in the availability of funds. On this basis, the Directors believe that the Company will continue to operate within funds available to it.

However, whilst the Directors believe the going concern basis is appropriate at the date of this report, the inherent uncertainties of the Project at this stage and specifically the impact on this assessment were there not to be a timely positive decision from the UK Government are further explained in Note 3 to the financial statements.

### *Financial risk – long term*

For the Project to proceed beyond the development phase, the Company will need to raise in excess of £1bn 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, the Company has had discussions with a number of potential funders and the Directors are confident that the necessary funding will be achieved.

### **Future development and performance**

Once an "in-principle" agreement is in place with the UK Government which underpins the Lagoon's revenues, we have to obtain land options from The Crown Estate and other remaining land owners, negotiate fixed price contracts with the tier 1 contractors and secure construction finance to build the Project.

Assuming that a Marine Licence is awarded in 2019 and construction finance is raised, it is anticipated that construction of the Project will commence on site in 2020 with initial power targeted for approximately three years later. The Directors believe that, whilst challenging, these goals are achievable provided that there is timely positive support from UK Government.

Approved by the Board on 25 May 2018 and signed on its behalf by

P J Carter  
Director



## Board of Directors

---



### **Keith Clarke CBE - 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**

Andrew joined Infracapital in 2015 to lead its greenfield infrastructure investment activities; previously he was a Partner in 3i plc's infrastructure team. He 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.



### **James Hall-Smith – Non-Executive Director**

James has been with InfraRed since 1997 and is a senior member of their infrastructure team, responsible for establishing the next value-add greenfield infrastructure fund. Previously he worked at Hambros Bank in its project advisory unit advising on early UK Private Finance Initiative projects.

## Directors' Report

---

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 2017.

### Dividends

No dividends will be distributed for the year ended 31 December 2017 (2016: £Nil).

### Political expenditure

The Company incurred political expenditure of £4k during the year ended 31 December 2017 (2016: £7k).

### Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

### Board of Directors

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

The Board currently comprises three executive directors and four 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

Except as noted below, the Directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report:

K E Clarke

M C Shorrocks

P J Carter

D H Slater

H Brockmueller

A Matthews

M R Woodhams (resigned 10 April 2018)

J Hall-Smith (appointed 10 April 2018)

Biographical details current directors are set out on page 8.

### Auditors

Davies Mayers Barnett LLP resigned as auditors on 30 October 2017 and were replaced by Davies Mayers Barnett Audit Services, a trading name of Baldwins Audit Services Limited.

## Directors' Report

---

### 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.

### 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.

## Directors' Report

---

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-a-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 advancement 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.

## Directors' Report

---

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 25 May 2018 and signed on its behalf by



P J Carter  
Director

## Report of the Independent Auditors

---

### Opinion

We have audited the financial statements of Tidal Lagoon (Swansea Bay) Plc (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw your attention to Note 3 in the financial statements, which indicates that the nature of the Company's activities and the current political uncertainty has an impact on the timing of the achievement of certain milestones and the raising of finance associated with those milestones. As stated in Note 3, these events or conditions, along with other matters set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Report of the Independent Auditors

---

### Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors

## Report of the Independent Auditors

---

determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.



Nicola Smith (Senior Statutory Auditor)

for and on behalf of Davies Mayers Barnett Audit Services

Statutory Auditors

Pillar House

113/115 Bath Road

Cheltenham

Gloucestershire

GL53 7LS

Date: 25 May 2018

Statement of Comprehensive Income  
Year Ended 31 December 2017

	<i>Notes</i>	2017 £'000	2016 £'000
TURNOVER		-	-
Administrative expenses		(3,057)	(6,065)
		<u>(3,057)</u>	<u>(6,065)</u>
Other operating income		-	-
OPERATING LOSS	6	<u>(3,057)</u>	<u>(6,065)</u>
Interest receivable and similar income		2	10
		<u>(3,055)</u>	<u>(6,055)</u>
Interest payable and similar charges	7	<u>(2,995)</u>	<u>(2,480)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(6,050)</u>	<u>(8,535)</u>
Tax credit on loss on ordinary activities	8	348	846
LOSS FOR THE FINANCIAL YEAR		<u>(5,702)</u>	<u>(7,689)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>(5,702)</u></u>	<u><u>(7,689)</u></u>

Balance Sheet  
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
<b>CURRENT ASSETS</b>			
Debtors	9	338	1,061
Cash at bank		196	1,696
		<u>534</u>	<u>2,757</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	(21,583)	(19,641)
<b>NET CURRENT ASSETS</b>		<u>(21,049)</u>	<u>(16,884)</u>
<b>CREDITORS</b>			
Amounts falling due in more than one year	11	(1,418)	*
		<u>(22,467)</u>	<u>(16,884)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	146	146
Share premium	15	16,262	16,143
Profit and loss account	15	(38,875)	(33,173)
<b>SHAREHOLDERS' FUNDS</b>		<u>(22,467)</u>	<u>(16,884)</u>

The financial statements were approved by the Board of Directors on 25 May 2018 and were signed on its behalf by:



P J Carter  
Director



Mark Shorrock  
Director

Statement of Changes in Equity  
Year Ended 31 December 2017

Changes in equity	Called up Share Capital £'000	Profit and Loss £'000	Share Premium £'000	Total Equity £'000
Balance at 1 January 2016	146	(25,484)	16,337	(9,001)
Issue of share capital	-	-	(194)	(194)
Total comprehensive income	-	(7,689)	-	(7,689)
Balance at 31 December 2016	146	(33,173)	16,143	(16,884)
Issue of share capital	-	-	119	119
Total comprehensive income	-	(5,702)	-	(5,702)
Balance at 31 December 2017	146	(38,875)	16,262	(22,467)

Cash Flow Statement  
Year Ended 31 December 2017

		Year Ended 31 Dec 17 £'000	Year Ended 31 Dec 16 £'000
	<i>Notes</i>		
Cash flows from operating activities			
Cash generated from operations	20	(3,737)	(6,413)
Tax credit received		748	1,471
Net cash from operating activities		<u>(2,989)</u>	<u>(4,942)</u>
Cash flows from investing activities			
Interest received		2	10
Net cash from investing activities		<u>2</u>	<u>10</u>
Cash flows from financing activities			
New loans in year		1,487	4,939
Share issue		-	(194)
Net cash from financing activities		<u>1,487</u>	<u>4,745</u>
Decrease in cash and cash equivalents		(1,500)	(187)
Cash and cash equivalents at beginning of year		1,696	1,883
Cash and cash equivalents at end of year		<u>196</u>	<u>1,696</u>

## Notes to the Financial Statements

### Year Ended 31 December 2017

---

#### 1. Company information

Tidal Lagoon (Swansea Bay) Plc a public company, limited by shares, registered in England and Wales. The Company's registered number and registered office can be found on the Company Information section of the contents page.

#### 2. Statement of compliance

These 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").

#### 3. 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 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.

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 and 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 milestones not being met and therefore funds being made available. The Directors, having made enquiries and in the light of its ongoing interactions with the Welsh Government, have a reasonable expectation that support will be forthcoming from the UK Government and therefore believe the going concern basis is appropriate.

However, the current political uncertainty and the potentially binary implications of the UK Government decision on the future of the Company's business are fundamental risks. 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.

## Notes to the Financial Statements

### Year Ended 31 December 2017

---

#### *Accounting policies (continued)*

This notwithstanding, were a UK Government decision to be adverse or not sufficiently positive to retain funders' confidence in the Project and the Company ceases to trade for these or any other reasons, 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. Available funding may be insufficient to fully cover current liabilities at that point.

#### *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.

#### *Taxation*

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, 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 profit or loss when it is incurred.

## Notes to the Financial Statements

### Year Ended 31 December 2017

---

#### *Accounting policies (continued)*

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 profit or loss as incurred.

#### *Foreign currencies*

Assets and liabilities in foreign currencies are translated into pounds 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 profit or loss, 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.

#### *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 profit or 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 profit or loss.

## Notes to the Financial Statements

### Year Ended 31 December 2017

---

#### *Accounting policies (continued)*

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 prepayment 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.

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 profit or loss as 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.

## Notes to the Financial Statements

### Year Ended 31 December 2017

---

#### *Accounting policies (continued)*

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.

#### 4. Critical accounting judgements and estimating uncertainties

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.

Notes to the Financial Statements  
Year Ended 31 December 2017

*Critical accounting judgements and estimating uncertainties (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.

5. Staff costs

	Year Ended 31 Dec 17 £'000	Year Ended 31 Dec 16 £'000
Directors' fees	15	9

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

	Year Ended 31 Dec 17	Year Ended 31 Dec 16
Directors	7	7

Certain directors and key management personnel received their emoluments from the related companies Shire Oak Energy Limited and Tidal Lagoon Power Limited ("TLP"). An element of this remuneration is recharged from Shire Oak Energy to TLP. TLP then charge the relevant costs to this company (see note 18).

Certain directors have bonus arrangements that crystallise on financial close. These have been included within contingent liabilities (see note 16).

6. Operating loss

	Year Ended 31 Dec 17 £'000	Year Ended 31 Dec 16 £'000
The operating loss is stated after charging:		
Auditors remuneration – audit services	10	13
Auditors remuneration – other services	13	33
Foreign exchange differences	-	2
Research and development expense	1,103	2,717

Notes to the Financial Statements  
Year Ended 31 December 2017

7. Interest payable and similar charges

	Year Ended 31 Dec 17 £'000	Year Ended 31 Dec 16 £'000
Other loan interest	2,995	2,478
Exchange losses	-	2
	<u>2,995</u>	<u>2,480</u>

8. 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 17 £'000	Year Ended 31 Dec 16 £'000
Current tax:		
UK corporation tax	275	675
Under provision in prior year	73	171
	<u>348</u>	<u>846</u>

Notes to the Financial Statements  
Year Ended 31 December 2017

*Taxation (continued)*

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 17 £'000	Year Ended 31 Dec 16 £'000
Loss on ordinary activities before tax	6,050	8,535
Loss on ordinary activities		
Multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	1,165	1,707
Effects of:		
Expenses not deductible for tax purposes	(2)	(13)
Utilisation of tax losses	(365)	(933)
Additional deduction for research and development expenditure	206	526
Unrelieved tax losses carried forward	(1,004)	(1,287)
Current year research and development tax credit	275	675
Adjustment to tax charge in respect of previous years	73	171
Total tax credit	348	846

Factors that may affect future tax charges

Taxable losses in the order of £29,000,000 have been incurred and are available for use against future taxable profits (2016: £23,000,000). A deferred tax asset has not been recognised however as the Company does not anticipate taxable profits to arise within the immediate future.

9. Debtors: amounts falling due within one year

	2017 £'000	2016 £'000
Other debtors	63	358
Corporation tax recoverable	275	675
Prepayments	-	28
	338	1,061

## Notes to the Financial Statements

### Year Ended 31 December 2017

#### *Debtors: amounts falling due within one year (continued)*

All debtor balances held by the Company are pledged as security for the protection of an option granted to a related third party by way of a fixed and floating charge, as disclosed in note 18.

All debtors balances held by the Company are pledged as security for the 2018 Loan Notes issued by way of a floating charge.

#### 10. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Loans (see note 12)	21,076	17,901
Trade creditors	232	1,023
Accruals	275	717
	<u>21,583</u>	<u>19,641</u>

#### 11. Creditors: amounts falling due in more than one year

	2017 £'000	2016 £'000
Other loans (see note 12)	1,250	-
Accruals	168	-
	<u>1,418</u>	<u>-</u>

#### 12. Loans

An analysis of maturity of loans is given below:

	2017 £'000	2016 £'000
<i>Amounts falling due within one year:</i>		
2018 Loan Notes	21,076	16,651
Other loans	-	1,250
Current liability	<u>21,076</u>	<u>17,901</u>
<i>Amounts falling due between one and two years:</i>		
Other loans	1,250	-
	<u>22,326</u>	<u>17,901</u>

The Loan Notes are secured against a floating charge against all assets of the Company. As at 31 December 2017, the 2018 Loan Notes were redeemable on the earlier of financial close of the Project and 31 December 2018. These have been fair valued through the profit and loss at their subscription price plus accrued interest at 20%.

## Notes to the Financial Statements

### Year Ended 31 December 2017

#### *Loans (continued)*

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 £45,957,000 (2016: £41,495,000).

Following the year end the 2018 Loan Note agreement was amended and Loan Notes are now redeemable on the earlier of 30 June 2019, financial close or at the Note Holders' option from 1 January 2019.

Whilst other loans mature in more than one year, they may be called in earlier by the lender where an event occurs (or circumstances exist) which, in the opinion of the lender acting reasonably, has or is likely to have a materially adverse effect on the business or its prospects.

#### 13. Financial instruments

	2017 £'000	2016 £'000
<b>Current financial assets</b>		
Cash at bank and in hand	196	1,696
Other debtors	35	279
<b>Financial assets carried at amortised cost</b>	<b>231</b>	<b>1,975</b>
<b>Current financial liabilities</b>		
Trade creditors	232	1,023
Other loans	-	1,250
Accruals and deferred income	275	717
<b>Current financial liabilities carried at amortised cost</b>	<b>507</b>	<b>2,990</b>
<b>Other loans</b>	<b>21,076</b>	<b>16,651</b>
<b>Current financial liabilities carried at fair value through P&amp;L</b>	<b>21,076</b>	<b>16,651</b>
<b>Non current financial liabilities</b>		
Other loans carried at amortised cost	1,250	-
Accruals and deferred income	168	-
	<b>1,418</b>	<b>-</b>

Financial instruments that are debt instruments are measured at amortised cost.

Details of other loans held at fair value through the profit and loss are disclosed in Note 12 to the financial statements.

Notes to the Financial Statements  
Year Ended 31 December 2017

14. Called up share capital

	2017 £'000	2016 £'000
<i>Allotted issued and fully paid:</i>		
28,220 Ordinary shares of £5 each (2016: 28,220)	141	141
1,000 E Ordinary shares of £5 each (2016: 1,000)	5	5
	<u>146</u>	<u>146</u>

Neither the Ordinary shares and E Ordinary shares are redeemable and both entitle the holders: a) to receive notice of, attend and vote at general meetings of the company and on a poll to one vote for each ordinary share held: b) to receive rateably in accordance with the number of shares held by them, any profits available for distribution and resolved to be distributed by the Company; and c) on a return of capital, to receive in accordance with the number of shares held, any amounts payable to shareholder on a liquidation or reduction of capital.

15. Reserves

	Share Premium £'000	Profit & Loss £'000	Total £'000
At 1 January 2017	16,143	(33,173)	(17,030)
Deficit for the year	119	(5,702)	(5,583)
At 31 December 2017	<u>16,262</u>	<u>(38,875)</u>	<u>(22,613)</u>

Retained earnings includes all current and prior period retained profits and losses.

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

16. 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 £5,238,000 (2016: £5,692,000).

Details of contingent liabilities relating to outstanding loan notes are set out in Note 12.

17. Capital commitments

The Company had no capital commitments at the balance sheet date (2016: £Nil).

## Notes to the Financial Statements

### Year Ended 31 December 2017

#### 18. Related parties

##### Tidal Lagoon Power Limited

The Company directors, M C Shorrocks and P J Carter are members of the Board of TLP and ultimate control of that company also resides with M C Shorrocks.

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

	2017	2016
	£'000	£'000
Professional services	(1,970)	(3,269)
Other charges	(431)	(546)
	<u>(2,401)</u>	<u>(3,815)</u>

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

	2017	2016
	£'000	£'000
Trade creditors	<u>135</u>	<u>699</u>

##### Tidal Lagoon Plc ("TLPLC")

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

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

	2017	2016
	£'000	£'000
2018 Loan Notes	<u>5,100</u>	<u>3,697</u>

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 £706,000 (2016: £511,000).

TLPLC has provided a guarantee amounting to £3,860,000 plus accrued interest over certain 2018 Loan Notes issued per Note 12.

At the balance sheet date the Company also had a contingent liability due to TLPLC of £549,000 (2016: £474,000).

## Notes to the Financial Statements

### Year Ended 31 December 2017

---

#### *Related parties (continued)*

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

The director, M C Shorrocks's spouse is a director and Chief Executive Officer 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.

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

Included within the profit and loss account are Health & Safety consultancy services provided by REL amounting to £Nil (2016: £6,000).

#### **19. Post balance sheet events**

Following the year end the 2018 Loan Note agreement was amended and Loan Notes are now due after more than one year although the Loan Note holders have an option to call the Loan Notes after 1 January 2019.

#### **20. Reconciliation of cash generated from operations**

	2017	2016
	£'000	£'000
Loss for the period	(5,702)	(7,689)
Finance costs	2,995	2,480
Finance income	(2)	(10)
Taxation	(348)	(846)
	<u>(3,057)</u>	<u>(6,065)</u>
Decrease in trade and other debtors	324	117
Decrease in trade and other creditors	(1,004)	(465)
Cash generated from operations	<u>(3,737)</u>	<u>(6,413)</u>

## 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 2pm on Thursday 28 June 2018 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 2017 be received and adopted.
2. THAT Davies Mayers Barnett Audit Services 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



Patrick Carter

Company Secretary

Date: May 2018

Registered office: Third Floor, Civic Centre, Oystermouth Road, Swansea SA1 3SN.

### 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 notorially 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 2pm on 26 June 2018. 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 – [davidvenus.com](http://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](mailto: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 ([shareview.co.uk](http://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.

### 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	<a href="mailto:chriskellyASG@gmail.com">chriskellyASG@gmail.com</a>
ASG, Neath Port Talbot:	Ian Isaac	<a href="mailto:ianisaacASG@gmail.com">ianisaacASG@gmail.com</a>
ASG, Mumbles:	Tony Cuff	<a href="mailto:tonycuffASG@gmail.com">tonycuffASG@gmail.com</a>
ASG, Gower, Wales and UK:	Alan Glass	<a href="mailto:alanglassASG@gmail.com">alanglassASG@gmail.com</a>

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.

### Supply Chain

For notifications of tender opportunities we recommend you register as a potential supplier on [sell2wales.gov.wales](http://sell2wales.gov.wales) and add 'Swansea Bay tidal lagoon' to your alert profile.

### Further information

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

Website: [tidallagoonpower.com](http://tidallagoonpower.com)  
Twitter: [twitter.com/TidalLagoon](https://twitter.com/TidalLagoon)