



**TIDAL LAGOON  
SWANSEA BAY**



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TIDAL LAGOON (SWANSEA BAY) PLC  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2020

Registration number: 08141301

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

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## Company Information

### *Directors*

M C Shorrocks  
P J Carter

A Matthews  
J Hall-Smith

### *Company secretary*

P J Carter

### *Registered Number*

08141301 (England and Wales)

### *Registered office*

8th Floor  
One Central Square  
Cardiff  
Wales  
CF10 1FS

### *Registrars*

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

### *Accountants & Statutory Auditors*

Azets Audit Services  
Pillar House  
113/115 Bath Road  
Cheltenham  
GL53 7LS

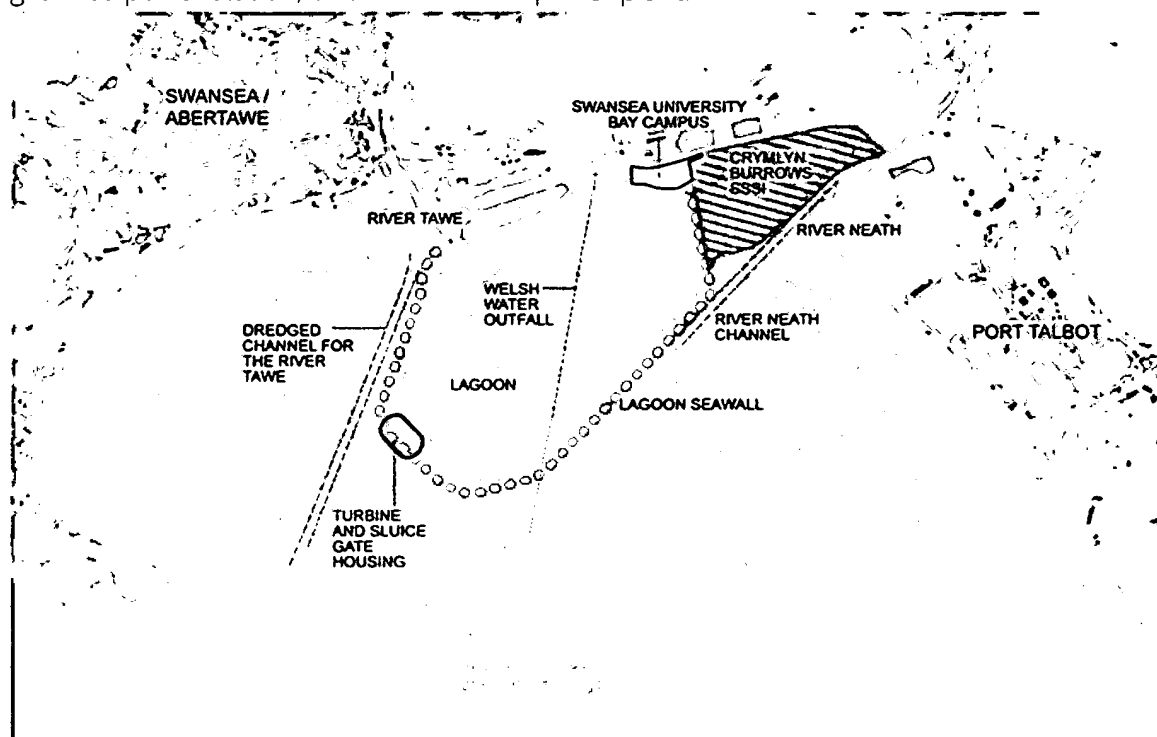
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## Introduction to the Swansea Bay tidal lagoon project

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Swansea Bay tidal lagoon (the "Project" or "Lagoon") would be a first-of-a-kind tidal range powered energy plant comprising a 9.5km land-attached breakwater structure situated in 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. 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 the Project.

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 of tidal power in a predictable fashion: sufficient electricity to power over 155,000 homes, more than Swansea's domestic electricity requirement.

The resulting development is understood would 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)

## Strategic Report

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### Business review

As we reported last year, and given its limited financial resources, the Company remains reliant upon other stakeholders, including Tidal Power Plc (a related party company established by executive management), to progress the Project at their risk. Should progress be made on this basis then value may be delivered back to shareholders.

### Operating results

The Company made a small operating loss for the period of £0.07m (2018: profit £0.1m) which reflects the limited activities of the Company and a provision against the closing out of certain liabilities for which cash has been set aside. The corresponding profit recorded in 2018 reflected the release of certain balance sheet provisions relating to affairs of the Company settled during that period.

### Funding

The Company has been funded to date by public share offerings and loan capital. This includes strategic backing from Prudential Greenfield LP and InfraRed Capital Partners Limited (on behalf of funds that it manages).

### Principal risks and uncertainties

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

#### *Dependence on other entities*

In the current circumstances, restricted access to additional funds means the Company is dependent on other entities, including related party companies, to progress plans for the Project (for which the Company holds the rights) at risk. Any such schemes are speculative in nature and are likely to require political support from, as a minimum, the Welsh Government for the Project to get to financial close. In addition, whilst the Company believes based on legal opinion that the Development Consent Order ("DCO") remains valid, this is disputed by the Department for Business, Energy and Industrial Strategy ("BEIS") and the City and County of Swansea Council as the discharging authority. A declaration of the legality of the DCO is being sought from the courts. Failure of the DCO validity being determined in the Company's favour or one of these initiatives subsequently being realised may lead to the Company ceasing to trade.

#### *Financial risk – short term*

The Company has met its day-to-day working capital requirements through loans from its strategic sponsors.

The Directors have prepared projected cash flow information for the next twelve months on the basis that value remains in the assets of the Company, taking account of projected expenditure and available funds from the Company's strategic sponsors. The Directors have taken into consideration actions they could take in response to reasonable cash flow sensitivities. On this basis, the Directors believe that the Company will continue to operate within funds available to it provided that the loan note holders continue in their support for the Company and do not call their loans.

## Strategic Report

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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 dependence on third party stakeholders have a major impact on this assessment such that if the Project becomes non-deliverable then the Company may cease to trade. This is further explained in note 3 to the financial statements.

### Future development

The Directors are looking to deliver value back to shareholders by supporting the efforts of third parties, including related party companies, to get the Project to financial close. The Board recognise that there remains significant risk in this approach and there is no guarantee that the Project will be delivered. However, provided the DCO is declared extant by the courts, the Company retains all rights to the Project and therefore remains well placed to benefit from any third-party initiative to bring forwards a Swansea Bay tidal lagoon project which builds upon the work undertaken by the Company over the last eight years.

Approved by the Board on 30 March 2021 and signed on its behalf by



P J Carter  
Director

## Directors' Report

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The Directors present their Annual Report for Tidal Lagoon (Swansea Bay) Plc (company number 08141301) together with the financial statements for the period ended 30 June 2020.

### Dividends

No dividends will be distributed for the period ended 30 June 2020 (2018: £nil).

### Political expenditure

The Company has not incurred any political expenditure during the period ended 30 June 2020 (2018: £nil).

### Events since the end of the year

Information relating to events since the end of the period 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 two executive directors and two non-executive directors who bring a wide range of experience and skills to the Company, neither of whom are considered independent. The Board meets as required to determine the policy and business strategy of the Company.

### Directors of the Company

The Directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report:

M C Shorrocks

P J Carter

A Matthews

J Hall-Smith

### 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.

### 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

## Directors' Report

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are set out in the Strategic Report on pages 3 to 4 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 30 March 2021 and signed on its behalf by



P J Carter  
Director

## Report of the Independent Auditors

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### Opinion

We have audited the financial statements of Tidal Lagoon (Swansea Bay) Plc (the 'Company') for the period ended 30 June 2020, 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 30 June 2020 and of its loss for the period 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 the impact of uncertainties around the current status of the DCO on the business and the Company's current reliance on third-party stakeholders to progress their plans. 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

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### 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

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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.

*Azets Audit Services.*

Claire Clift (Senior Statutory Auditor)  
for and on behalf of Azets Audit Services  
Statutory Auditors  
Pillar House  
113/115 Bath Road  
Cheltenham  
Gloucestershire  
GL53 7LS

Date: 30 March 2021

Statement of Comprehensive Income  
Period Ended 30 June 2020

		18 months ended 30 Jun 20 £'000	12 months ended 31 Dec 18 £'000
	<i>Notes</i>		
TURNOVER		-	-
Administrative expenses		(76)	50
		<u>(76)</u>	<u>50</u>
Other operating income		-	-
OPERATING LOSS	6	<u>(76)</u>	<u>50</u>
Interest receivable and similar income		1	3
		<u>(75)</u>	<u>53</u>
Interest payable and similar charges	7	(5,028)	(3,236)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(5,103)</u>	<u>(3,183)</u>
Tax credit on loss on ordinary activities	8	-	47
LOSS FOR THE FINANCIAL PERIOD		<u>(5,103)</u>	<u>(3,136)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(5,103)</u>	<u>(3,136)</u>

Balance Sheet  
As at 30 June 2020

	Notes	2020 £'000	2018 £'000
<b>CURRENT ASSETS</b>			
Debtors	9	6	65
Cash at bank		87	116
		<u>93</u>	<u>181</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	(30,799)	(25,784)
<b>NET CURRENT ASSETS</b>		<u>(30,706)</u>	<u>(25,784)</u>
		<u>(30,706)</u>	<u>(25,603)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	146	146
Share premium	14	16,262	16,262
Profit and loss account	14	(47,114)	(42,011)
<b>SHAREHOLDERS' FUNDS</b>		<u>(30,706)</u>	<u>(25,603)</u>

The financial statements were approved by the Board of Directors on 30 March 2021 and were signed on its behalf by:



P J Carter  
Director



Mark Shorrock  
Director

Statement of Changes in Equity  
Period Ended 30 June 2020

Changes in equity	Called up Share Capital £'000	Profit and Loss £'000	Share Premium £'000	Total Equity £'000
Balance at 31 December 2017	146	(38,875)	16,262	(22,467)
Total comprehensive income	-	(3,136)	-	(3,136)
Balance at 31 December 2018	146	(42,011)	16,262	(25,603)
Total comprehensive income	-	(5,103)	-	(5,103)
Balance at 30 June 2020	146	(47,114)	16,262	(30,706)

Cash Flow Statement  
Period Ended 30 June 2020

		Period Ended 30 Jun 20 £'000	Year Ended 31 Dec 18 £'000
	<i>Notes</i>		
<b>Cash flows from operating activities</b>			
Cash absorbed in operations	19	(29)	(390)
Tax credit received		-	322
Net cash from operating activities		<u>(29)</u>	<u>(68)</u>
<b>Cash flows from investing activities</b>			
Interest received		-	3
Net cash from investing activities		<u>-</u>	<u>3</u>
<b>Cash flows from financing activities</b>			
New loans in period		-	1,443
Loans repayments in period		-	(1,458)
Net cash from financing activities		<u>-</u>	<u>(15)</u>
<b>Decrease in cash and cash equivalents</b>		<b>(29)</b>	<b>(80)</b>
Cash and cash equivalents at beginning of period		116	196
Cash and cash equivalents at end of period		<u>87</u>	<u>116</u>

## Notes to the Financial Statements

### Period Ended 30 June 2020

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#### 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 3 to 4. The principal risks and uncertainties section on pages 3 and 4 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 on the basis that there remains value in the assets of the Company. These take account of projected expenditure, committed funds available to the Company from its strategic sponsors and actions the Board may take in response to reasonable cash flow sensitivities.

However, the inherent uncertainty around the future of the Project, the legal status of the DCO and the ability for any third-party stakeholder to progress their plans further 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 provided that the loan note holders continue in their support of the Company and do not call in their loans. For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

This notwithstanding, were a means to progress the Project not found and the Company ceases to trade for this 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.

## Notes to the Financial Statements

### Period Ended 30 June 2020

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#### *Accounting policies (continued)*

##### *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.

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.



## Notes to the Financial Statements

### Period Ended 30 June 2020

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#### *Accounting policies (continued)*

##### *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.

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.

## Notes to the Financial Statements

### Period Ended 30 June 2020

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#### *Accounting policies (continued)*

##### (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.

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.

## Notes to the Financial Statements

### Period Ended 30 June 2020

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#### *Accounting policies (continued)*

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  
Period Ended 30 June 2020

5. Staff costs

	Period Ended 30 Jun 20 £'000	Year Ended 31 Dec 18 £'000
Directors' fees	-	27

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

	Period Ended 30 Jun 20	Year Ended 31 Dec 18
Directors	4	6

Certain directors and key management personnel received their emoluments from the related companies Shire Oak Energy Limited and Tidal Lagoon Power Limited ("TLP").

Certain directors have bonus arrangements that crystallise on financial close. These have been included within contingent liabilities (see note 15).

6. Operating loss

	Period Ended 30 Jun 20 £'000	Year Ended 31 Dec 18 £'000
The operating loss is stated after charging:		
Auditors remuneration – audit services	6	6
Auditors remuneration – other services	2	1

Notes to the Financial Statements  
Period Ended 30 June 2020

7. Interest payable and similar charges

	Period Ended 30 Jun 20 £'000	Year Ended 31 Dec 18 £'000
Other loan interest	5,028	3,236
	<u>5,028</u>	<u>3,236</u>

8. Taxation

Analysis of the tax credit

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

	Period Ended 30 Jun 20 £'000	Year Ended 31 Dec 18 £'000
Current tax:		
Under provision in prior year	-	47
	<u>-</u>	<u>47</u>

Notes to the Financial Statements  
Period Ended 30 June 2020

*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:

	Period Ended 30 Jun 20 £'000	Year Ended 31 Dec 18 £'000
Loss on ordinary activities before tax	5,103	3,183
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	970	605
Effects of:		
Expenses not deductible for tax purposes	(385)	(241)
Unrelieved tax losses carried forward	(585)	(364)
Adjustment to tax charge in respect of previous years	-	47
Total tax credit	-	47

**Factors that may affect future tax charges**

Taxable losses in the order of £33,000,000 have been incurred and are available for use against future taxable profits (2018: £30,000,000). 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**

	30 Jun 2020 £'000	31 Dec 2018 £'000
Other debtors	6	65
	6	65

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 17.

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

Notes to the Financial Statements  
Period Ended 30 June 2020

10. Creditors: amounts falling due within one year

	30 Jun 2020 £'000	31 Dec 2018 £'000
Loans (see note 11)	30,745	25,716
Trade creditors	7	65
Accruals	47	3
	<u>30,799</u>	<u>25,784</u>

11. Loans

An analysis of maturity of loans is given below:

	30 Jun 2020 £'000	31 Dec 2018 £'000
<i>Amounts falling due within one year:</i>		
2018 Loan Notes	30,745	25,716
Current liability	<u>30,745</u>	<u>25,716</u>

The Loan Notes are secured against a floating charge against all assets of the Company. As at 30 June 2020, the 2018 Loan Notes were redeemable on the earlier of 30 June 2020, financial close or at the option of at least 60% of the Note Holders. These 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 £50,286,000 (2018: £50,286,000).

Following the year end the 2018 Loan Note agreement was amended and Loan Notes are now redeemable on the earlier of financial close or at the option of at least 60% of the Loan Note holders.

Notes to the Financial Statements  
Period Ended 30 June 2020

12. Financial instruments

	30 Jun 2020 £'000	31 Dec 2018 £'000
<b>Current financial assets</b>		
Cash at bank and in hand	88	116
Other debtors	6	50
<b>Financial assets carried at amortised cost</b>	<u>94</u>	<u>166</u>
<b>Current financial liabilities</b>		
Trade creditors	7	65
Accruals and deferred income	47	3
<b>Current financial liabilities carried at amortised cost</b>	<u>54</u>	<u>68</u>
Other loans	30,745	25,716
<b>Current financial liabilities carried at fair value through P&amp;L</b>	<u>30,745</u>	<u>25,716</u>

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 11 to the financial statements.



## Notes to the Financial Statements

### Period Ended 30 June 2020

#### 13. Called up share capital

	30 Jun 2020 £'000	31 Dec 2018 £'000
<i>Allotted issued and fully paid:</i>		
28,220 Ordinary shares of £5 each (2018: 28,220)	141	141
1,000 E Ordinary shares of £5 each (2018: 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.

#### 14. Reserves

	Share Premium £'000	Profit & Loss £'000	Total £'000
At 1 January 2019	16,262	(42,011)	(25,749)
Deficit for the period	-	(5,103)	(5,103)
At 30 June 2020	<u>16,262</u>	<u>(47,114)</u>	<u>(30,852)</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.

#### 15. 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 £4,437,000 (2018: £4,343,000).

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

#### 16. Capital commitments

The Company had no capital commitments at the balance sheet date (2018: £nil).

## Notes to the Financial Statements

### Period Ended 30 June 2020

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#### 17. Related parties

##### Tidal Lagoon Power Limited ("TLP")

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

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

	30 Jun 2020 £'000	31 Dec 2018 £'000
Professional services	-	(57)

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

	30 Jun 2020 £'000	31 Dec 2018 £'000
Trade creditors	1	1

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

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

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

	30 Jun 2020 £'000	31 Dec 2018 £'000
2018 Loan Notes	7,192	6,001

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 £1,191,000 (2018: £794,000).

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

At the balance sheet date the Company also had a contingent liability due to TLPLC of £705,000 (2018: £612,000).

## Notes to the Financial Statements

### Period Ended 30 June 2020

#### *Related parties (continued)*

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

The director, M C Shorrock'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.

#### **18. Post balance sheet events**

Following the year end the 2018 Loan Note agreement was amended and Loan Notes are now due on financial close or at the option of at least 60% of the Loan Note holders.

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

	30 Jun 2020 £'000	31 Dec 2018 £'000
Loss for the period	(5,103)	(3,136)
Finance costs	5,028	3,236
Finance income	(1)	(3)
Taxation	-	(47)
	<u>(76)</u>	<u>50</u>
Decrease in trade and other debtors	59	(2)
Decrease in trade and other creditors	(12)	(438)
Cash generated from operations	<u>(29)</u>	<u>(390)</u>

## Shareholder Information

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### Registrars

Enquiries relating to matters such as loss of a share certificate, dividend payments or notification of a change of address should be directed to SLC Registrars who are the Company's registrars at Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey KT13 0TS. Telephone: 01903 706150.

### Investor Relations

Periodic project updates are provided to existing investors.

You can view your shareholding in Tidal Lagoon (Swansea Bay) Plc through Shareview, the online shareholder portal provided by our Share Registrar, Equiniti David Venus Limited, trading as SLC Registrars. 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 Tidal Lagoon (Swansea Bay) Plc and holdings in any other companies for which Equiniti are Registrar.

### Further information

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

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