

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Registration number: 09359280

tidallagoonpower.com

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Our mission is to drive a critical change in the UK's energy mix by developing infrastructure to harness natural power from the rise and fall of the tides.

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Company information

Directors

K E Clarke

M C Shorrock

P J Carter

S K Gupta

Accountants and Statutory Auditors

Davies Mayers Barnett LLP

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Cheltenham

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Company secretary

P J Carter

Registered number

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Introduction to Tidal Lagoon Plc Group

Tidal lagoons offer a means of harnessing the sea to generate indigenous, low carbon electricity at scale from the natural movement of the tides. Tidal lagoons represent affordable and sustainable infrastructure that can:

- Generate over 8% of the UK's electricity requirements *;
- Create long-term UK employment;
- Act as a catalyst for a long-term UK hydroelectricity manufacturing and engineering industry;
- Promote biodiversity;
- Promote local community resilience and pride; and
- Allow UK institutions (and potentially the general public) to invest in and take long-term ownership of our natural power assets.

The EU and UK have ambitious emission reduction targets and a growing need for energy solutions at an affordable cost over the long-term. Tidal lagoons offer a highly sustainable, low cost and low carbon solution to our energy demands and Tidal Lagoon Plc ("the Company") and its subsidiaries' (together "the Group") vision is to develop, construct and operate a fleet of tidal lagoons that cumulatively provide up to 8% of the UK's electricity need, with environmental considerations at their core.

The Group aims to build on the foundations laid by its subsidiary Tidal Lagoon Power Limited, which has been responsible for the development of the Swansea Bay tidal lagoon ("Swansea Bay"). Swansea Bay as a 'pathfinder' project, will be capable of generating electricity for 14 hours a day over its 120 year life and will establish a scalable blueprint for our fleet lagoon programme.

The Group employs a multi-disciplinary development team with specialised knowledge in the core areas of planning, environment, engineering, finance and public affairs, required to realise its vision. It has to date undertaken work and analysis on potential lagoon sites situated around the west coast of the UK with particular focus on the Severn Estuary and Liverpool Bay. We are also looking at international opportunities, including sites in Northern France and India.

* Cebr: The Economic Case for a Tidal Lagoon Industry in the UK, July 2014

Chairman's Statement

The case for the Government having a fourth option in its strategy for the future UK energy mix remains strong. A significant capacity reduction is expected from ageing power stations being retired over the next 10 years, exacerbated by an anticipated increase in overall demand due to electrification of the railways and motor cars. This widening gap cannot be filled by the existing plans for nuclear, offshore wind and interconnectors. The Government therefore needs to look at alternatives. Tidal lagoons remain one of the few options that can generate low carbon electricity at scale and on a relatively short timescale.

2016 has been a positive year during which we spent significant time and effort with Tidal Lagoon (Swansea Bay) Plc ("TLSB"), responding to the independent strategic review on tidal lagoons chaired by Charles Hendry (the "Hendry Review") which reported in January 2017. As part of that process, Mr Hendry met many of our supporters, investors, members of our supply chain and industry experts. We worked with leading experts to ensure that the Hendry Review's questions to us were answered in full and I would like to take this opportunity to thank everyone who took the time to respond to the Hendry Review's call for evidence.

The Hendry Review's conclusions were very positive. The report endorsed the undertaking of a pathfinder project (i.e. Swansea Bay) which it advocated was a "no regrets" policy. It then went on to conclude that power from tidal lagoons could make a strong contribution to UK energy security as an indigenous, cost effective and completely predictable form of supply and bring wider benefits beyond those of power generation offering a significant economic opportunity for Wales and the UK more generally.

In addition to the political agenda, the Group has continued to progress development work on its lagoon portfolio in the UK and France, having continued to secure options on certain land sites, progressed baseline environmental surveys, considered how to meet obligations for environmental impact offset under an Ecosystems Enhancement Programme and looked to maximise economic benefits whilst reducing environmental impacts through continuing engineering design iterations.

We therefore believe, as market leaders, we are well placed to take advantage of the future competitive landscape once Government has formalised its response to the Hendry Review and set out its vision for a nascent tidal lagoon industry.

Keith Clarke CBE
Chairman
26 May 2017

Group Strategic Report

Business Review

The Group made a loss for the year of £4.2m (2015: £6.0m). This is in line with the Directors' expectation of the expenditure required to reach this stage of the business plan.

Development funding to date has been raised by means of public share offerings and loans provided by its parent company, Shire Oak Energy Limited ("SOE").

Key Performance Indicators

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

1. Government: secure national and local agreement to supporting a programme of tidal lagoons in the UK;
2. Planning: progress the Development Consent Order ("DCO") application for a Cardiff tidal lagoon ("Cardiff");
3. Programme: progress other lagoon options around the UK and overseas; and
4. Environment: develop a scalable blueprint for delivering appropriate environmental mitigation measures to meet legislative requirements.

Set out below is an overview of the progress that the Directors believe the Group has made in each of those areas over the period to the date of this report.

1. Political Support

A key focus of 2016 was one of engagement with Government and wider stakeholders and we are grateful to the Group's many supporters for making their opinions heard.

In February 2016, The Department of Energy and Climate Change ("DECC") (now The Department for Business, Energy and Industrial Strategy ("BEIS")) initiated the Hendry Review which reported to Government towards the end of 2016 and was published on 12 January 2017 (hendryreview.wordpress.com). Its findings were very supportive of tidal lagoons, the headlines being:

- There is clear evidence that tidal lagoons can play a cost effective role in the UK's energy mix as a provider of low carbon, indigenous predictable power strengthening the UK energy security position;
- There is considerable value in a small (less than 500 MW) pathfinder project and the UK Government should move to secure Swansea Bay tidal lagoon as a pathfinder project as swiftly as possible, as a "no-regrets" policy, so the learning opportunities it offers can be maximised;
- Tidal lagoons can provide a significant economic opportunity for Wales and the UK with substantial domestic supply chain opportunities;
- Large scale tidal lagoons have potential to be competitive with low carbon projects commissioning in the mid to late 2020s (i.e. offshore wind and new nuclear);

Group Strategic Report

- Post-Swansea Bay, tidal lagoons to be delivered under a competitive framework on a site-by-site basis. Competition should be undertaken using a competitive tender approach to accommodate flexibility around maximising benefits of lagoons rather than taking a pure cost driven view that would prevail under a traditional Contract for Difference ("CfD") auction process; and
- A Tidal Power Authority be established to make tidal power a success for the UK by delivering a programme of tidal lagoons.

The past year has seen significant activity across Westminster, with two specific Westminster Hall debates on tidal lagoons held in 2016 focusing on Swansea Bay, with significant support from the newly formed All Party Parliamentary Group for Marine Energy and Tidal Lagoons, which draws in MPs from across the political spectrum.

During the course of 2016, we continued to work in consultation with BEIS, Her Majesty's Treasury ("HMT") and their advisors to further develop an amended CfD mechanism for Swansea Bay and future lagoons which more appropriately matches a subsidy with the lagoon's long asset life and improves value for money for the UK taxpayer. This approach would significantly reduce the subsidy cost of the Swansea Bay Tidal Lagoon and the wider lagoon programme.

The Group has continued to engage with key stakeholders in the local communities where it intends to site a lagoon to determine the potential benefits a lagoon could bring to the surrounding area and ensure that any lagoons brought forward are undertaken with local support.

2. Planning: Cardiff tidal lagoon ("Cardiff")

Cardiff will be the first full scale lagoon in our fleet, with an installed capacity of c. 3,000MW, sufficient to generate low carbon electricity for every home in Wales. As well as energy production, the lagoon is being designed to facilitate significant concomitant opportunities across transport, land, regeneration and flood protection. The latest information on the planning status of the project can be found on the UK Planning Inspectorate ("PINS") website at: infrastructure.planninginspectorate.gov.uk/projects/wales/tidal-lagoon-cardiff.

Over the course of 2016, work has been undertaken to build on the Environmental Impact Assessment ("EIA") Scoping Opinion issued by the Secretary of State in April 2015 to address core risk areas and learnings from Swansea and develop the information necessary for the eventual Environmental Statement and DCO application. These include the development of an Evidence Plan Approach to the EIA through the agreement of a methodology with a stakeholder steering committee, progression of long lead time environmental surveys (primarily birds and fish), engineering studies, coastal process modelling, strategic master planning, local stakeholder meetings and energy modelling. A grid connection offer was received in April 2017.

Group Strategic Report

Based on the output of this work, we have continued to iterate the design of the lagoon to balance environmental, energy production, stakeholder concerns and other economic factors.

3. Programme: Other UK and international projects

UK

In addition to their contribution to the UK's transition to a low carbon, reliable and energy-secure future, we believe that a programme of lagoons can also deliver a range of economic, social and environmental benefits both locally and nationally through the wider supply chain. Our teams are engaged with local stakeholders on the early phases of development work iterating conceptual designs created to test the feasibility of a lagoon in selected locations (including Newport, Colwyn Bay, Bridgwater Bay and West Cumbria) to deliver optimum power output and minimise environmental impacts.

All lagoons are located in dynamic and sensitive environments and we are continuing to develop our plans for a future fleet of lagoons informed by real world data, active input from key stakeholders, and strong local views from the outset. We remain confident that lagoons at each of these sites could be a significant addition to the UK's energy infrastructure albeit the final shape and timing of the programme that the Group pursues will depend upon how the Government choose to implement the recommendations made by the Hendry Review.

International

With its extensive maritime domain and a rich history of research and innovation in the development of marine renewable energy (including the world's first tidal power station opened in 1966 at La Rance in Brittany), France represents a major opportunity for the development of the Group's international lagoon programme. A favourable policy environment is also emerging in France with a government commitment to lowering the country's reliance on nuclear power from 75% to 50% by 2025 and increasing the share of renewable energy in the overall electricity production mix to 40% by 2030.



Over the course of the year, our France-based team continued to conduct meetings with key stakeholders and potential advocates including national public bodies for energy and the environment and their regional representations, regional local government representatives, relevant industry bodies and key players in the French renewable energy sector.

Detailed business planning work has established scenarios informing how the future development operations in France will be taken forward over the next period as funding and political will permits.

The Group has undertaken a number of pre-feasibility studies in Canada, Mexico and India with an eye to international opportunities.

4. Environmental mitigation: Ecosystems Enhancement Programme

To address upfront concerns about the environmental impacts of lagoons and ensure compliance with relevant regulations, in tandem with lagoon development, we are driving forwards on an Ecosystems Enhancement Programme ("EEP") – a habitat restoration, protection, creation and enhancement initiative to offset any impact the lagoons might have and critically set a scalable blueprint for how major energy infrastructure projects can enhance biodiversity alongside the creation of clean energy.

In 2016 the focus of the EEP team was to refine its strategy and define the platform upon which it would operate. Detailed feasibility and site selection work has already started on a range of potential restoration and compensation measures, including managed realignment (intertidal habitat creation). The ambition is that the habitats created by the Group will become important European nature conservation sites in their own right, with the potential to support tens of thousands of birds, fish and other species.

Principal Risks and Uncertainties

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

Government Policy

The final report of the Hendry Review confirms the potential for tidal lagoons to become part of the UK strategic energy mix. In parallel, the Government is negotiating an amended CfD structure for Swansea Bay that should offer better value for money for taxpayers on long dated assets, such as lagoons. Whilst we anticipate both a positive outcome from the Review and the Swansea Bay CfD negotiations, the political willingness to adopt the recommendations set out in the Hendry Review and Government support of Swansea as a pathfinder project will have a major bearing on the ability of the Group to deliver its strategy.

Competitive Landscape

The Hendry Review makes a clear recommendation that all post-Swansea Bay lagoons should be subject to a competitive framework facilitated by the creation of a Tidal Power Authority. The form that competition is to take has been left for Government to determine, albeit with certain recommendations from the Hendry Review that would look to leverage the benefits that tidal lagoons can make to the local and national interest (e.g. supply chain, flood defence, local amenity benefits, etc.) rather than be purely economic in nature. Our ultimate business plan will be strongly influenced by the measures by which such a competitive framework is implemented.

Financial Risk – Short Term

The Group meets its day-to-day working capital requirements through cash raised as part of its ongoing fund raising activities.

The Directors have prepared projected cash flow information for the next twelve months taking account of projected expenditure to meet the proposed timetable and anticipated funds from

Group Strategic Report

further investors. The Directors have taken into consideration actions they could take in response to reasonable cash flow sensitivities arising from timing differences in the raising of funds. On this basis, the Directors believe that the Group will continue to operate within funds available to it.

Whilst the Directors believe the going concern basis is appropriate, the inherent uncertainties of the lagoon projects at this stage and the impact on this assessment are further explained in note 3.

Financial Risk – Long Term

For the lagoon projects to proceed beyond the development phase, the Group will need to raise construction finance under project finance arrangements into the Special Purpose Vehicle ("SPV") companies. The Directors are confident that this funding can be achieved.

Future Development and Performance

During this financial year the Group has supported relevant engagement with Government and the Hendry Review. Whilst we will continue to progress with the lagoon development programme in the forthcoming period, the timing and content of any response from Government to the Hendry Review will shape the future direction of the business.

Approved by the Board on 26 May 2017 and signed on its behalf by



P J Carter

Director

Board



Keith Clarke CBE - Non-Executive Chairman

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



Mark Shorrock – Chief Executive Officer

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



Patrick Carter – Chief Financial Officer

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



Sanjeev Gupta – Non-Executive Director

Sanjeev Gupta is an international businessman and entrepreneur, heading a global enterprise with activities spanning steel and aluminium production, engineering, power generation, banking, and commodities trading. As Executive Chairman of Liberty House, he leads a fast-growing \$6.7 billion global industrial group, head quartered in London, with additional global hubs in Dubai, Singapore and Hong Kong, and further bases in over 30 countries.

Directors' Report (Company number 09359280)

The Directors present their Annual Report with the financial statements of the Group for the year ended 31 December 2016.

Dividends

No dividends will be distributed for the year ended 31 December 2016 (2015: £Nil).

Events Since the End of the Year

Information relating to events since the end of the year is given in note 30 to the financial statements.

Board of Directors

The Group 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 Group. The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as responsibilities of the Board.

Directors of the Company

The Directors shown below have held office during the whole of the year to the date of this report except as noted below:

M C Shorrocks

P J Carter

K E Clarke

S K Gupta (appointed 9 February 2016)

Biographical details are set out on page 8.

Environmental Policy

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

Health and Safety

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

The Group has a health and safety steering committee to guide the Group's health and safety policies and activities. Group policies on health and safety are regularly reviewed and revised.

Research and Development Activities

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

Research and development, in its widest sense, encompasses the use of scientific or technological knowledge in order to produce new or substantially improved materials, devices,

Directors' Report (Company number 09359280)

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 Group 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 unique power plants and develop an EEP. We are confident that our activities will make an appreciable advance in the overall knowledge and capability within this field and we are, and will continue to be, a leader in the advance of knowledge and capability in the field of renewable energy using tidal technology.

Disclosure in the Strategic Report

Other matters required to be disclosed in the Report of the Directors in accordance with section 416(4) of the Companies Act 2006 in relation to financial risks and future developments are set out in the Strategic Report on pages 3 to 7 in accordance with section 414C(11) of the Companies Act 2006.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Group 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 the Group and of the profit or loss of the Group for that year. 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 Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to

Directors' Report (Company number 09359280)

ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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 Group'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 Group's auditors are aware of that information.

Approved by the Board on 26 May 2017 and signed on its behalf by



P J Carter
Director

Report of the Independent Auditors

We have audited the financial statements of Tidal Lagoon Plc and its subsidiaries for the year ended 31 December 2016 on pages 14 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Group'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 Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 10 and 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 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.

Report of the Independent Auditors

Emphasis of matter

The financial statements have been prepared on a going concern basis, the validity of which is dependent upon the timing of cash flows from the Group's fund raising activities and the availability of alternative funding as referred to in Note 3 of the financial statements. In forming our opinion, which is not qualified in respect of this matter, we have considered the adequacy of the disclosures made in the financial statements. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

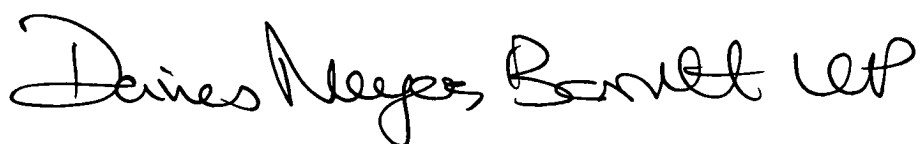
Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report and the Group Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. No material misstatements in the Directors' Report or the Group Strategic Report have been identified.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

26 May 2017

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2016

	Notes	Year ended 31 Dec 16 £'000	Period 17 Dec 14 to 31 Dec 15 £'000
TURNOVER		3,868	-
Cost of sales		(3,283)	(3,190)
GROSS PROFIT/(LOSS)		585	(3,190)
Administrative expenses		(6,032)	(2,858)
OPERATING LOSS	6	(5,447)	(6,048)
Exceptional items	7	(113)	-
		(5,560)	(6,048)
Interest receivable and similar income	8	518	21
		(5,042)	(6,027)
Interest payable and similar expenses	9	(597)	(86)
LOSS BEFORE TAXATION		(5,639)	(6,113)
Tax on loss	10	1,436	127
LOSS FOR THE FINANCIAL PERIOD		(4,203)	(5,986)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(4,203)	(5,986)
Attributable to:			
Owners of the parent		(4,203)	(5,986)
Non-controlling interests		-	-
		(4,203)	(5,986)

Consolidated Balance Sheet
As at 31 December 2016

	Notes	2016 £'000	2015 £'000
FIXED ASSETS			
Intangible assets	12	-	-
Tangible assets	13	26	-
Investments	14	-	-
		<u>26</u>	<u>-</u>
CURRENT ASSETS			
Debtors	15	5,139	1,320
Cash at bank		1,350	986
		<u>6,489</u>	<u>2,306</u>
CREDITORS			
Amounts falling due within one year	16	(3,597)	(3,020)
NET CURRENT ASSETS/(LIABILITIES)		<u>2,892</u>	<u>(714)</u>
TOTAL ASSETS LESS CURRENT ASSETS/(LIABILITIES)		<u>2,918</u>	<u>(714)</u>
CREDITORS			
Amounts falling due after more than one year	17	(1,970)	-
NET ASSETS/(LIABILITIES)		<u>948</u>	<u>(714)</u>
CAPITAL AND RESERVES			
Called up share capital	22	70	61
Share premium	23	11,064	5,208
Profit and loss account	23	(10,189)	(5,986)
SHAREHOLDERS' FUNDS		<u>945</u>	<u>(717)</u>
NON-CONTROLLING INTEREST	24	<u>3</u>	<u>3</u>
TOTAL EQUITY		<u>948</u>	<u>(714)</u>

Consolidated Balance Sheet
As at 31 December 2016

The financial statements were approved by the Board of Directors on 26 May 2017 and were signed on its behalf by:



P J Carter
Director

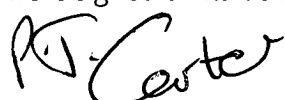


M C Shorrocks
Director

Company Balance Sheet
Year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
FIXED ASSETS			
Intangible assets		-	-
Tangible assets		-	-
Investments	14	47	47
		<u>47</u>	<u>47</u>
CURRENT ASSETS			
Debtors	15	6,405	1,320
Cash at bank		1,221	983
		<u>7,626</u>	<u>2,303</u>
CREDITORS			
Amounts falling due within one year	16	(1,402)	(3,066)
NET CURRENT ASSETS/(LIABILITIES)		<u>6,224</u>	<u>(763)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,271	(716)
CREDITORS			
Amounts falling due after more than one year	17	(1,970)	-
NET ASSETS/(LIABILITIES)		<u>4,301</u>	<u>(716)</u>
CAPITAL AND RESERVES			
Called up share capital	22	70	61
Share premium	23	11,064	5,208
Profit and loss account	23	(6,833)	(5,985)
SHAREHOLDERS' FUNDS		<u>4,301</u>	<u>(716)</u>
 Company's loss for the financial year		 <u>(848)</u>	 <u>(5,985)</u>

The financial statements were approved by the Board of Directors on 26 May 2017 and were signed on its behalf by:



P J Carter
Director



M C Shorrock
Director

Consolidated Statement of Changes in Equity
Year ended 31 December 2016

	Called up Share Capital £'000	Profit and Loss £'000	Share Premium £'000	Total £'000	Non- controlling interests £,000	Total Equity £000
Balance at 17 December 2014	-	-	-	-	-	-
Changes in equity						
Issue of share capital	61	-	5,208	5,269	3	5,272
Total comprehensive income	-	(5,986)	-	(5,986)	-	(5,986)
Balance at 31 December 2015	61	(5,986)	5,208	(717)	3	(714)
Changes in equity						
Issue of share capital	9	-	5,856	5,865	-	5,865
Total comprehensive income	-	(4,203)	-	(4,203)	-	(4,203)
Balance at 31 December 2016	70	(10,189)	11,064	945	3	948

Company Statement of Changes in Equity
Year ended 31 December 2016

	Called up Share Capital £'000	Profit and Loss £'000	Share Premium £'000	Total Equity £'000
Balance at 17 December 2014	-	-	-	-
Changes in equity				
Issue of share capital	61	-	5,208	5,269
Total comprehensive income	-	(5,985)	-	(5,985)
Balance at 31 December 2015	61	(5,985)	5,208	(716)
Changes in equity				
Issue of share capital	9	-	5,856	5,865
Total comprehensive income	-	(848)	-	(848)
Balance at 31 December 2016	70	(6,833)	11,064	4,301

Consolidated Cash Flow Statement
Year ended 31 December 2016

	Notes	Year ended 31 Dec 16 £'000	Period 17 Dec 14 to 31 Dec 15 £'000
Cash flows from operating activities			
Cash generated from operations	31	(5,700)	(4,471)
Interest paid		(127)	(41)
Tax paid		779	-
Net cash from operating activities		<u>(5,048)</u>	<u>(4,512)</u>
Cash flows from investing activities			
Net cash acquired with subsidiary	32	207	3
Purchase of loan notes		(2,165)	(1,000)
Interest received		6	1
Net cash from investing activities		<u>(1,952)</u>	<u>(996)</u>
Cash flows from financing activities			
New loans in year		1,500	2,725
Loan repayments in year		-	(500)
Loans converted to share capital		-	(1,000)
Share issue		5,864	5,269
Net cash from financing activities		<u>7,364</u>	<u>6,494</u>
Increase in cash and cash equivalents		364	986
Cash and cash equivalents at beginning of year		986	-
Cash and cash equivalents at end of year		<u>1,350</u>	<u>986</u>

Notes to the Financial Statements

Year ended 31 December 2016

1. *Company information*

Tidal Lagoon Plc is a public company, limited by shares, registered in England and Wales. The Company's registered number and registered office address 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") and Companies Act 2006.

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 Group'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 7. The principal risks and uncertainties section on pages 6 and 7 provides further details of the principal risks affecting the Group.

The Group has to date met its day to day working capital requirements from its cash balances generated from a series of ongoing equity fund raises and a loan from its parent company. The Group is currently raising additional funds sufficient to fund it for at least the next 12 months and has reasonable visibility on the sources of those funds. The Board have experience of both the management of and the raising of funds for development phases of significant renewable energy infrastructure projects such as those contemplated by the Company.

The Directors have prepared projected cash flow information for the next 12 months from the date of approval of the financial statements. These take account of projected expenditure to meet the business plan, forecast funds available to the Group and actions the Board may take in response to reasonable cash flow sensitivities that arise from timing differences in the raising of funds.

The Directors anticipate, based on previous track record, that the funding target will be met and therefore fully believe that the going concern basis is appropriate. However, the nature of the Group's ongoing funding activities and the current political uncertainty around tidal lagoons is such that there remains significant uncertainty over the timing of cash receipts

Notes to the Financial Statements

Year ended 31 December 2016

Accounting policies (continued)

and the availability of alternative finance, should this be required. However, after consideration of the forecasts and making appropriate enquiries, the Directors have a reasonable expectation that the Group 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.

Basis of consolidation

The consolidated financial statements comprise the accounts of Tidal Lagoon Plc and all its material subsidiaries up to 31 December 2016. The financial statements include any subsidiaries acquired during the period from the date of acquisition.

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 tidal lagoons and associated projects.

Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and a defined contribution pension plan.

Defined Contribution Pension Plan

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account in the period to which they relate.

Exceptional items

Exceptional items are those which are separately identified by virtue of their size or nature to allow a full understanding of the underlying performance of the Group.

Business Combinations and Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated into goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Notes to the Financial Statements

Year ended 31 December 2016

Accounting policies (continued)

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

The net book value of the assets are regularly reviewed by the directors and further adjustment to carrying values are made where considered appropriate.

Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged from the month of acquisition and is provided at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold improvement – Over the period of the lease

Fixtures and fittings – 33% on cost

Computer equipment – 33% on cost

The net book values of the assets are regularly reviewed by the directors and further adjustments to carrying values are made where considered appropriate.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. The recoverable amount is the higher of its net realisable value and its value-in-use.

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

Notes to the Financial Statements

Year ended 31 December 2016

Accounting policies (continued)

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 the financial statements.

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

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

Research and development

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

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

Hire purchase and leasing commitments

Operating lease rentals are charged to the profit & loss account over the life of the lease.

Share based payments

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated

Notes to the Financial Statements

Year ended 31 December 2016

Accounting policies (continued)

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.

Financial instruments

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

(i) Financial assets

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

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

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

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

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

(ii) Financial liabilities

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

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

Notes to the Financial Statements

Year ended 31 December 2016

Accounting policies (continued)

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

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

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

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

(iii) Compound financial instruments

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

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

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

(iv) Offsetting

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

Notes to the Financial Statements

Year ended 31 December 2016

Accounting policies (continued)

Share capital

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 proceeds.

4. Critical accounting judgements and estimating uncertainty

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

Key accounting estimates and assumptions

The Group 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 values on acquisition of Tidal Lagoon Power Limited

The fair value of tangible and intangible assets acquired on the acquisition of Tidal Lagoon Power Limited involved the use of management's judgements as to the future customer base, cash flows and profitability of the business.

ii) Impairment of intangible assets and goodwill

The Group considers whether intangible assets and goodwill are impaired. Where an indication of impairment is identified the appropriate amount is charged to the profit & loss account against the asset.

iii) Fair value of the 2018 Loan Note asset

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.

iv) 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.

Notes to the Financial Statements

Year ended 31 December 2016

5. Employees and Directors

Group

The aggregate payroll costs for these personnel were as follows:

	Year ended 31 Dec 16	Period 17 Dec 14 to 31 Dec 15
	£'000	£'000
Wages and salaries	4,170	-
Social security costs	489	-
Other pension costs	35	-
	<u>4,694</u>	<u>-</u>

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

	Year ended 31 Dec 16	Period 17 Dec 14 to 31 Dec 15
Directors	4	3
Administrative staff	18	-
Development staff	49	-
	<u>71</u>	<u>3</u>

Total key management personnel compensation for the year was £463,000 (2015: £Nil).

	Year ended 31 Dec 16	Period 17 Dec 14 to 31 Dec 15
	£'000	£'000
Directors' remuneration	67	-

Certain Directors and key management personnel received their emoluments from the parent company, Shire Oak Energy Limited. An element of the remuneration is recharged to the Group as professional services (see note 29).

Notes to the Financial Statements

Year ended 31 December 2016

Employees and Directors (continued)

Company

The aggregate payroll costs for these personnel were as follows:

	Year ended 31 Dec 16	Period 17 Dec 14 to 31 Dec 15
	£'000	£'000
Wages and salaries	67	-
Social security costs	3	-
	<u>70</u>	<u>-</u>

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

	Year ended 31 Dec 16	Period 17 Dec 14 to 31 Dec 15
Directors	4	3
	<u>4</u>	<u>3</u>

Total key management personnel compensation for the year was £67,000 (2015: £Nil).

	Year ended 31 Dec 16	Period 17 Dec 14 to 31 Dec 15
	£'000	£'000
Directors' remuneration	67	-
	<u>67</u>	<u>-</u>

Notes to the Financial Statements

Year ended 31 December 2016

6. Operating Loss

	Year ended 31 Dec 16 £'000	Period 17 Dec 14 to 31 Dec 15 £'000
The operating loss is stated after charging/(crediting):		
Depreciation – owned assets	40	-
Goodwill amortisation	(315)	-
Auditor's remuneration	10	6
Auditor's remuneration – audit of subsidiaries	9	-
Auditor's remuneration – other taxation advisory	58	-
Auditor's remuneration – other services	10	-
Foreign exchange differences	(2)	3
Operating lease payments	150	-
Research and development expenditure	2,934	2,800
	<u> </u>	<u> </u>

7. Exceptional items

Exceptional items of £113,000 (2015: £Nil) relate to the waiver of amounts owed by Group companies during the year.

8. Interest receivable and similar income

	Year ended 31 Dec 16 £'000	Period 17 Dec 14 to 31 Dec 15 £'000
Bank interest received	6	1
Loan interest received	512	20
	<u> </u>	<u> </u>
	518	21
	<u> </u>	<u> </u>

9. Interest payable and similar expenses

	Year ended 31 Dec 16 £'000	Period 17 Dec 14 to 31 Dec 15 £'000
Loan interest	127	86
Fair value adjustment to loan instrument	470	-
	<u> </u>	<u> </u>
	597	86
	<u> </u>	<u> </u>

Notes to the Financial Statements
Year ended 31 December 2016

10. Taxation

Analysis of the tax credit

The tax credit on the loss for the year/period was as follows:

	Year ended 31 Dec 16 £'000	Period 17 Dec 14 to 31 Dec 15 £'000
Current tax:		
UK Corporation tax	650	-
Under provision of group relief surrender in prior year	779	-
Group relief surrender	-	127
Tax current tax	1,429	127
Deferred tax:		
Origination and reversal of timing differences	7	-
Tax on loss	1,436	127

Reconciliation of total tax charge included in the profit and loss

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

	Year ended 31 Dec 16 £'000	Period 17 Dec 14 to 31 Dec 15 £'000
Loss on ordinary activities before tax	5,639	6,113
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 20%	(1,128)	(1,223)
Effects of:		
Expenses not deductible for tax purposes	2	-
Utilisation of tax losses	897	-
Additional deduction for research and development expenditure	(507)	-
Unrelieved tax losses carried forward	718	1,096
Current year research and development tax credit	(650)	-
Adjustment to tax charge in respect of previous years	(779)	-
Other items	11	-
Total tax credit	(1,436)	(127)

Notes to the Financial Statements
Year ended 31 December 2016

11. Individual Statement of Comprehensive Income

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

12. Intangible fixed assets

Group

	Negative Goodwill £'000
COST	
At 1 January 2016	-
Additions	(315)
	<u>(315)</u>
At 31 December 2016	<u>(315)</u>
AMORTISATION	
At 1 January 2016	-
Amortisation for year	315
	<u>315</u>
At 31 December 2016	<u>315</u>
NET BOOK VALUE	
At 31 December 2016 and at 31 December 2015	<u>-</u>

13. Tangible fixed assets

Group

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
COST				
At 1 January 2016	-	-	-	-
On acquisition	63	46	21	130
	<u>63</u>	<u>46</u>	<u>21</u>	<u>130</u>
As at 31 December 2016	<u>63</u>	<u>46</u>	<u>21</u>	<u>130</u>
DEPRECIATION				
At 1 January 2016	-	-	-	-
On acquisition	26	23	15	64
Charge for the year	18	16	6	40
	<u>44</u>	<u>39</u>	<u>21</u>	<u>104</u>
As at 31 December 2016	<u>44</u>	<u>39</u>	<u>21</u>	<u>104</u>

Notes to the Financial Statements
Year ended 31 December 2016

Tangible fixed assets (continued)

NET BOOK VALUE

At 31 December 2016	19	7	-	26
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2015	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14. *Fixed asset investments*

Company

Shares in
Group
undertakings
£'000

COST

At 1 January 2016 and at 31 December 2016	47
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NET BOOK VALUE

At 1 January 2016 and at 31 December 2016	47
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The Company's investments at the Balance Sheet date in the share capital of other companies include the following:

Subsidiaries	Class of share	Proportion held	Country of incorporation	Nature of business
Tidal Lagoon Power Limited	Ordinary	100.0%	UK	Development
Tidal Lagoon (West Cumbria) Plc	Ordinary	93.6%	UK	Dormant
Tidal Lagoon (Colwyn Bay) Plc	Ordinary	100.0%	UK	Dormant
Tidal Lagoon (Cardiff) Ltd	Ordinary	100.0%	UK	Dormant
Tidal Lagoon (Bridgwater Bay) Ltd	Ordinary	100.0%	UK	Dormant
Tidal Lagoon (Newport) Ltd	Ordinary	100.0%	UK	Dormant

The registered office of all subsidiaries is Pillar & Lucy House, Merchants Road, Gloucester, GL2 5RG.

On 21 January 2016 the Company acquired the entire share capital of Tidal Lagoon Power Limited (see note 32).

Notes to the Financial Statements
Year ended 31 December 2016

15. Debtors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade Debtors	695	-	-	-
Amounts owed from Group undertakings	1	-	2,550	-
Other debtors	36	274	8	274
2018 Loan notes	3,697	1,020	3,697	1,020
Corporation tax recoverable	650	-	150	-
Prepayments and accrued income	60	26	-	26
	<u>5,139</u>	<u>1,320</u>	<u>6,405</u>	<u>1,320</u>

Loan notes have been fair valued through the profit and loss at their subscription price plus accrued interest at 20%.

16. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	814	868	67	868
Amounts owed to Group undertakings	1,245	1,270	1,283	1,317
Social security and other taxes	141	-	-	-
Accruals and deferred income	1,397	882	52	881
	<u>3,597</u>	<u>3,020</u>	<u>1,402</u>	<u>3,066</u>

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Other loans (see note 18)	1,970	-	1,970	-
	<u>1,970</u>	<u>-</u>	<u>1,970</u>	<u>-</u>

18. Loans

An analysis of the maturity of loans is given below:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Amounts falling due between one and five years				
2020 Loan Notes	1,970	-	1,970	-
	<u>1,970</u>	<u>-</u>	<u>1,970</u>	<u>-</u>

Notes to the Financial Statements

Year ended 31 December 2016

Loans (continued)

The 2020 Loan Notes are redeemable on the earlier of TLSB financial close and 31 December 2020 and have been fair valued through the profit and loss at their redemption value discounted at an interest rate of 10%.

The contractual return on the loan notes is contingent on TLSB financial close.

At the redemption date the loan note holder can either receive a return of 1.5 times the subscription value or convert the loan note to equity at a fixed subscription price. The maximum amount that might be paid out on TLSB financial close is £2,250,000 (2015: £Nil).

19. *Leasing agreements*

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2016	2015
	£'000	£'000
Within one year	234	-
Between one and five years	142	-
	<u>376</u>	<u>-</u>

The Company had no leasing commitments at 31 December 2016 (2015: £Nil)

20. *Provision for liabilities and charges*

Group

	Deferred Tax
	£'000
On acquisition	7
Credit to income statement	(7)
Balance at 31 December 2016	<u>-</u>

Notes to the Financial Statements
Year ended 31 December 2016

21. *Financial instruments*

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Current financial assets				
Cash at bank and in hand	1,351	986	1,221	983
Trade debtors	695	-	-	-
Other debtors	7	188	2	188
Amounts owed from Group undertakings	1	-	2,550	-
Financial assets carried at amortised cost	<u>2,054</u>	<u>1,174</u>	<u>3,773</u>	<u>1,171</u>
Other loans	<u>3,697</u>	<u>1,020</u>	<u>3,697</u>	<u>1,020</u>
Current financial assets carried at fair value through income statement	<u>3,697</u>	<u>1,020</u>	<u>3,697</u>	<u>1,020</u>
Current financial liabilities				
Trade creditors	814	868	67	868
Amounts owed to Group undertakings	1,245	1,270	1,283	1,317
Accruals and deferred income	1,397	882	48	881
Current financial liabilities carried at amortised cost	<u>3,456</u>	<u>3,020</u>	<u>1,398</u>	<u>3,066</u>
Non-current financial liabilities				
Other loans	<u>1,970</u>	<u>-</u>	<u>1,970</u>	<u>-</u>
Non-current financial liabilities carried at fair value through income statement	<u>1,970</u>	<u>-</u>	<u>1,970</u>	<u>-</u>

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

Details of Other loans held at fair value through the income statement in debtors are disclosed in Note 15 to the financial statements.

Details of Other loans held at fair value through the income statement in creditors are disclosed in Note 18 to the financial statements.

Notes to the Financial Statements
Year ended 31 December 2016

22. *Called up share capital*

	2016 £'000	2015 £'000
<i>Allotted issued and fully paid:</i>		
6,450,391 Ordinary Shares of 1p each	65	56
<i>Allotted issued and part-paid:</i>		
500,000 Ordinary Share of 1p each	5	5
Total share capital	<u>70</u>	<u>61</u>

Each Ordinary Share is entitled to one vote in any circumstances; pari passu to dividend payments or any distribution; and pari passu to participate in a distribution arising from a winding up of the Company.

During the year the Company issued 893,735 Ordinary shares of 1p each for a total consideration of £5,934,000 resulting in share premium of £5,925,000. Costs of £69,000 were incurred as a result of the share issues and these costs have been debited against the share premium account.

Included above are share based payments amounting to £75,000.

Share options have been granted to InfraRed Capital Partners giving them an entitlement to subscribe for 593,220 shares at a consideration of £11.80 per share.

Share options have been granted to SIMEC giving them an entitlement to subscribe for 372,881 shares at a consideration of £5.90 per share at any time prior to an in principle agreement of a CfD award announcement by Government in respect to TLSB.

A further option has been granted to SIMEC giving them an entitlement to acquire up to an additional 8% of the share capital of the Company at a rate to be calculated in accordance with the option agreement in the first fundraise subsequent to an in principle agreement of a CfD award announcement by Government in respect to TLSB.

Notes to the Financial Statements
Year ended 31 December 2016

23. Reserves
Group

	Retained earnings £'000	Share premium £'000	Total £'000
At 1 January 2016	(5,986)	5,208	(778)
Deficit for the year	(4,203)	-	(4,203)
Cash share issue	-	5,856	5,856
At 31 December 2016	<u>(10,189)</u>	<u>11,064</u>	<u>875</u>

Company

	Retained earnings £'000	Share premium £'000	Total £'000
At 1 January 2016	(5,985)	5,208	(777)
Deficit for the year	(848)	-	(848)
Cash share issue	-	5,856	5,856
At 31 December 2016	<u>(6,833)</u>	<u>11,064</u>	<u>4,231</u>

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

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

24. Non-controlling interests

Capital and Reserves attributable to non-controlling Interests:

	£'000
At 1 January 2016	3
Share of loss for the year	-
Balance at 31 December 2016	<u>3</u>

Non-controlling interest reflects the value of net assets which is under the control of non-controlling interests of the entities within the Group.

Notes to the Financial Statements

Year ended 31 December 2016

25. Controlling party

The Company's controlling party is Shire Oak Energy Limited, registered in England and Wales.

26. Contingent liabilities

The Group and Company provided a guarantee amounting to £3,860,000 (2015: £3,860,000) plus accrued interest over certain 2018 Loan Notes issued by related party TLSB.

27. Contingent assets

The Group and Company had a contingent asset amounting to £474,000 (2015: £Nil) plus accrued interest relating to costs incurred on behalf of related party TLSB.

28. Capital commitments

The Group and Company had no capital commitments at the balance sheet date (2015: £Nil).

29. Related parties

Ultimate control of the Company resides with M C Shorrock.

Tidal Lagoon (Swansea Bay) Plc

The Company directors, M C Shorrock, K E Clarke and P J Carter are also members of the Board of TLSB.

At the year end, amounts were held on the balance sheet as owing from TLSB as follows:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
2018 Loan Notes	3,697	1,020	3,697	1,020

The following amounts relating to TLSB are included in the income statement:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Interest received	512	20	512	20
Sales	3,853	-	-	-

The Company has also provided a guarantee amounting to £3,860,000 (2015 £3,860,000) plus accrued interest over certain other 2018 Loan Notes issued by TLSB.

Notes to the Financial Statements

Year ended 31 December 2016

Related parties (continued)

Shire Oak Energy Limited

SOE is ultimate parent company. At the year end, amounts were held on the balance sheet relating to SOE as follows:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	1,245	1,270	1,234	1,270
Trade creditors	158	-	18	-
Other debtors	-	127	-	127

The following amounts relating to SOE are included in the income statement:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Professional services	615	-	-	-
Interest paid	127	45	127	45
Exceptional item	113	-	113	-

Tidal Lagoon Power Limited

During the year the Company acquired the entire share capital of TLP. The Group have taken advantage of exemption, under the terms of FRS102, not to disclose related party transactions with wholly owned subsidiaries within the Group. Prior to acquisition it was a fellow subsidiary of the parent undertaking and at the previous period end, amounts were held on the balance sheet relating to TLP as follows:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	N/A	412	N/A	412

The following amounts relating to TLP are included in the income statement:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Professional services and other costs	N/A	2,686	N/A	2,686

Notes to the Financial Statements

Year ended 31 December 2016

Related parties (continued)

Tidal Lagoon (West Cumbria) Plc ("TLWC")

At the year end, amounts were held on the balance sheet relating to TLWC as follows:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Amounts owed to Group undertakings	-	-	49	47

SIMEC Tidal Lagoon Power PTE Ltd ("SIMEC")

S Gupta is a non-executive director and his father P K Gupta is a director of SIMEC. Ultimate control of SIMEC resides with P K Gupta.

SIMEC have been granted future rights to provide certain services at market rates and to bid for certain other services.

Share options have been granted to SIMEC as detailed in note 22.

30. *Post balance sheet events*

Following the year end until the date of this report the Company issued 38,351 Ordinary shares of 1p each for a total consideration of £453,000 resulting in a share premium of £452,000.

Following the year end the 2018 Loan Note agreement was amended and 2018 Loan Notes (note 15) are now due after more than one year.

31. *Reconciliation of loss before taxation to cash generated from operations*

	Year ended	Period
	31 Dec 16	17 Dec 14 to 31 Dec 15
	£'000	£'000
Loss for the financial year	(4,203)	(5,986)
Depreciation and amortisation charges	(276)	-
Finance costs	597	86
Finance income	(518)	(21)
Taxation	(1,436)	(127)
	(5,836)	(6,048)
Decrease/(increase) in trade and other debtors	262	(173)
(Decrease)/increase in trade and other creditors	(126)	1,750
Cash generated from operations	(5,700)	(4,471)

Notes to the Financial Statements

Year ended 31 December 2016

32. *Business combinations*

On 21 January 2016 the Company acquired the entire share capital of TLP for a total consideration of £120.

Recognised amounts of identifiable assets acquired and liabilities assumed were as follows:

	Book Value £'000
Tangible Fixed assets	66
Trade and other debtors	835
Cash and cash equivalents	207
Trade and other creditors	(793)
	<hr/> 315
Negative goodwill	(315)
	<hr/> <hr/> -

No fair value adjustments were required to the book value of identified assets acquired and liabilities assumed at the date of acquisition.

Following the acquisition, in May 2016 the trade and certain assets and liabilities of the Company were transferred to the subsidiary, TLP.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tidal Lagoon Plc (the "Company") will be held at Investec Bank Plc, Gresham Street, London, EC2V 7QP at 10am on 26 June 2017 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 Group for the year ended 31 December 2016 be received and adopted.
2. THAT Davies Mayers Barnett LLP be re-appointed auditors of the Group 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: 26 May 2017

Registered office: Pillar & Lucy House, Merchants Road, The Docks, Gloucester, GL2 4RG

Notes:

- 1 *An 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 10am on 22 June 2017. 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, dividend payments 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.

Investor Relations

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

We take our environmental responsibilities seriously and would like to send you future Notices via electronic means. If you agree, enter the following URL into your web browser and register for Shareview, the online shareholder portal provided by our Share Registrar, Equiniti David Venus Limited, trading as SLC Registrars. Alternatively, you can visit the Equiniti Shareview website (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 TLPLC and holdings in any other companies for which Equiniti are Registrar, and, through the click of a button, register for all future TLPLC communications to be provided by electronic means.

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

Further information

Further information and news can be found at:

Website: tidallagoonpower.com

Twitter: twitter.com/TidalLagoon