

Company Registration No. 09359280 (England and Wales)

TIDAL LAGOON PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

TIDAL LAGOON PLC

COMPANY INFORMATION

Directors	Mr M C Shorrocks Mr P J Carter
Secretary	Mr P J Carter
Company number	09359280
Registered office	Fourth Floor Pillar & Lucy House Merchants Road Gloucester United Kingdom GL2 5RG
Auditor	Azets Audit Services Pillar House 113-115 Bath Road Cheltenham Gloucestershire United Kingdom GL53 7LS

TIDAL LAGOON PLC

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 - 24

TIDAL LAGOON PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present the strategic report for the year ended 30 June 2020.

Fair review of the business

The company and its primary subsidiary, Tidal Lagoon Power Limited ("TLPL") ("the group"), extended their Company Voluntary Arrangements ("CVA") with their respective creditors in September 2020 in order to allow time for a number of stakeholder initiatives to be progressed, including that being taken forwards by Tidal Power Plc ("TPP"), a related party company.

Management initiated the "LaunchCo plan" to amalgamate the interests of both the group and Tidal Lagoon (Swansea Bay) Plc, with the primary objective of taking the Swansea Project to financial close. The Company has allowed TPP to utilise the group's intellectual property on the basis that, if the LaunchCo Plan proves successful, value will be delivered back to shareholders.

Given its limited financial resources, the group is reliant upon TPP taking the Swansea Project to financial close which, in accordance with the CVA proposal, will facilitate the repayment of the company's creditors and provide funds to take forwards the development of future lagoons.

Results

Tidal Lagoon Plc made an operating loss for the period of £9,000 (2019: £137,000) which reflects the continuing scaling back of activities.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the group are as follows:

Dependence on other entities to deliver the LaunchCo Plan

The group is dependent on TPP to deliver the LaunchCo Plan or a similar scheme. The LaunchCo Plan is speculative in nature, has a primary focus on the Swansea Project, and is likely to require political support from, as a minimum, the Welsh Government to succeed. To achieve financial close of the Swansea Project, TPP will need to secure construction funding and any outstanding assets, consents and agreements.

Planning consents

Whilst the company believes based on legal opinion that the Development Consent Order ("DCO") for the Swansea Project (required to deliver the LaunchCo Plan) 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 Swansea Project's favour may lead to the company ceasing to trade.

Financial Risk – Short-Term

The group remains wholly reliant upon the continued support of related party companies and directors for its short-term funding requirements. The group is also dependent on the Welsh Government continuing to support by not calling its loan, maintaining creditors' confidence to enable the group to extend the terms of the CVAs, if required, and the ultimate success of the LaunchCo Plan to ensure that the group is able to discharge its longer-term obligations to historic creditors in accordance with the CVA terms.

The directors have prepared projected cash flow information for the next twelve months taking account of projected expenditure which show that the group has sufficient cash to meet its anticipated post-CVA obligations as they fall due. However, the group has limited ability to absorb any unanticipated costs and in those circumstances would be reliant upon funding being made available by TPP or another alternative external source.

Whilst the directors believe the going concern basis is appropriate at the date of this report, the inherent uncertainties around the deliverability of the LaunchCo Plan have a major impact on this assessment such that if the LaunchCo Plan becomes non-deliverable, due to the expiry of the DCO or otherwise, then the CVA is likely to fail which may lead to the company and its primary subsidiary, TLPL, ceasing to trade.

TIDAL LAGOON PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Future Development and Performance

Given the group's lead developer role in the Swansea Project and the progress previously made towards delivering the first full scale tidal lagoon to be situated in Cardiff Bay, the Board believe that, if the LaunchCo Plan proves successful, the group is well placed to benefit from the rollout of future lagoons.

Key performance indicators

The group, for the foreseeable future, is being managed to preserve value and support the LaunchCo Plan.

On behalf of the board

Mr P J Carter

Director

29 March 2021

TIDAL LAGOON PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and financial statements for the year ended 30 June 2020.

Principal activities

The principal activity of the company continued to be that of engaging in production of electricity and construction of utilities

Results and dividends

The results for the year are set out in the Strategic Report.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr M C Shorrocks

Mr P J Carter

Board of Directors

The Group is led and controlled by a Board of Directors. The Board currently comprises two executive directors. The Board has adopted a schedule of matters that are reserved as responsibilities of the Board.

Research and development

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, 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 ecosystem enhancement plan (to mitigate against certain environmental impacts). 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.

Auditor

On 7th September 2020, Group Audit Services Limited (trading as Baldwins Audit Services) changed its name to Azets Audit Services Limited. The name it practices under is Azets Audit Services and, accordingly, it has signed the Report of the Independent Auditors in its new name.

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

TIDAL LAGOON PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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 group'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 are set out in the Strategic Report on pages 1 to 2 in accordance with section 414C(11) of the Companies Act 2006.

On behalf of the board

Mr P J Carter

Director

29 March 2021

TIDAL LAGOON PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIDAL LAGOON PLC

Opinion

We have audited the financial statements of Tidal Lagoon Plc (the 'company') for the year ended 30 June 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's 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 note 1.2 that indicate that the UK Government decision not to offer a CfD to the Swansea Project has significantly hampered the ability to raise the funding required to take the business plan forward. The company and its primary subsidiary, Tidal Lagoon Power Limited, are currently in Company Voluntary Arrangements ("CVAs") in order to restructure existing debt and to allow time for an alternative proposal for the delivery of the pathfinder project, referred to as "the LaunchCo Plan".

As stated in the note, these events or conditions, along with other matters set out in the note, 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

TIDAL LAGOON PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TIDAL LAGOON PLC

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 and 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 directors' responsibilities statement, 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 determine is 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.

Auditor's 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 an auditor's report 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

TIDAL LAGOON PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TIDAL LAGOON PLC

Use of our report

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Clift (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

29 March 2021

Chartered Accountants
Statutory Auditor

Pillar House
113-115 Bath Road
Cheltenham
Gloucestershire
United Kingdom
GL53 7LS

TIDAL LAGOON PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
	Notes		
Cost of sales		(1)	(2)
Administrative expenses		(8)	(236)
Operating loss	4	(9)	(238)
Interest payable and similar expenses	7	(125)	(283)
Exceptional items		16	(2,707)
Loss before taxation		(118)	(3,228)
Tax on loss	8	-	-
Loss for the financial year		(118)	(3,228)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

TIDAL LAGOON PLC

BALANCE SHEET

AS AT 30 JUNE 2020

		2020		2019	
	Notes	£000	£000	£000	£000
Fixed assets					
Investments	9		47		47
Current assets					
Debtors	11	2		2	
Cash at bank and in hand		-		3	
		<u>2</u>		<u>5</u>	
Creditors: amounts falling due within one year	12	(8,473)		(8,358)	
Net current liabilities			(8,471)		(8,353)
Total assets less current liabilities			<u>(8,424)</u>		<u>(8,306)</u>
Capital and reserves					
Called up share capital	18		70		70
Share premium account	19		11,698		11,698
Profit and loss reserves	20		(20,192)		(20,074)
Total equity			<u>(8,424)</u>		<u>(8,306)</u>

The financial statements were approved by the board of directors and authorised for issue on 29 March 2021 and are signed on its behalf by:

Mr P J Carter
Director

Company Registration No. 09359280

TIDAL LAGOON PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Share premium account	Profit and loss reserves	Total
	£000	£000	£000	£000
Balance at 1 January 2018	70	11,698	(16,846)	(5,078)
Period ended 30 June 2019:				
Loss and total comprehensive income for the period	-	-	(3,228)	(3,228)
Balance at 30 June 2019	70	11,698	(20,074)	(8,306)
Period ended 30 June 2020:				
Loss and total comprehensive income for the period	-	-	(118)	(118)
Balance at 30 June 2020	70	11,698	(20,192)	(8,424)

TIDAL LAGOON PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		2020		2019	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash absorbed by operations	24		(3)		(1,890)
Investing activities					
Purchase of Loan Notes		-		(107)	
Issue of Loan Notes		-		2,000	
Net cash (used in)/generated from investing activities			-		1,893
Net (decrease)/increase in cash and cash equivalents			(3)		3
Cash and cash equivalents at beginning of year			3		-
Cash and cash equivalents at end of year			-		3

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

Company information

Tidal Lagoon Plc is a private company limited by shares incorporated in England and Wales. The registered office is Fourth Floor, Pillar & Lucy House, Merchants Road, Gloucester, United Kingdom, GL2 5RG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

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 1 and 2. The principal risks and uncertainties section on pages 2 provides further details of the principal risks affecting the company.

As reported in the Business Review section of the Strategic Report, the overheads of the company and its primary subsidiary, Tidal Lagoon Power Limited ("TLPL") have been further reduced over the period to the date of this report and its post-CVA forward working capital requirement funded by TPP.

The potentially binary implication of the success of the LaunchCo Plan on the short-term future of the company, the subsequent discharge of the CVA and willingness of creditors to extend the term of the CVA should it prove necessary, are fundamental risks.

The company has very limited resources available to it should either the LaunchCo Plan prove not to be successful or the Welsh Government call in its secured loan.

The directors have prepared projected cash flow information for the next twelve months from the date of approval of the financial statements on the basis that the LaunchCo Plan continues to progress and is ultimately successful and the Welsh Government do not call in their loan. These take account of cash available to the business, projected expenditure based on forward commitments and actions the Board may take in response to reasonable cash flow sensitivities.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

After consideration of the forecasts and making appropriate enquiries, the Board believe that the company has sufficient cash resources to meet its post-CVA liabilities as they fall due and there is a reasonable prospect of a positive CVA outcome; therefore that the going concern basis is appropriate at the date of signing the accounts.

However, the lack of UK Government support for tidal lagoons and the limited ability to raise further funds at the current time gives rise to significant uncertainties over the availability of alternative finance (potentially with significant dilutive impacts on existing shareholders), should this be required.

Furthermore, were the LaunchCo Plan to be unsuccessful for any reason, it is very likely that the CVA would fail and the company cease to trade. In these or similar circumstances, adjustments would need to be made to reduce the value of the assets to their recoverable amount and to provide for any further liabilities that might arise. Available funding will be insufficient to cover current liabilities at that point.

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 a 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.8 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.9 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.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.11 Related party transactions

The company has taken advantage of exemption, under the terms of FRS102, not to disclose related party transactions with wholly owned subsidiaries.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

Fair value of the loan note assets and liabilities

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 in the context of the specific terms of the loan note instruments. This includes assessing the implications of the UK Government's decision in regards to the Swansea Bay Tidal Lagoon Project and subsequent agreement whereby the company entered into a Company Voluntary Arrangement ("CVA") in September 2018 for a two year period, as extended after the balance sheet date but before the date of approval of these financial statement in September 2020 for a further two year period.

Fair value of other loans

The fair value of other loans, where repayment of the loan is linked to redemption of loan note assets, requires an assessment of the likelihood the loans will be repaid which is consistent with both the terms of those loans and the fair value assessment of the linked loan note asset.

Valuation of Creditors

Creditors have been based on the books and records and claims made to the CVA supervisors and include provisions for amounts due for early termination of contracts resulting from the CVA process.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

3 Exceptional items

Following the UK Government's announcement of its decision on 25 June 2018 not to offer a Contract for Difference ("CfD") to the Swansea Bay Tidal Lagoon Project, the fair value of financial assets held at fair value through profit or loss in relation to 2018 Loan Notes issued by Tidal Lagoon Swansea Bay Plc ("TLSB") was assessed as £Nil due to the significant risk of non-recoverability. This resulted in an exceptional charge of £107,000 to profit or loss in the period ended 30 June 2019. Consequently, the fair value of financial liabilities held at fair value through profit or loss in relation to Other Loans, where the repayment terms are directly linked to the recoverability of the 2018 Loan Notes issued by TLSB, has also assessed as £Nil

Furthermore, as a result of the UK Government's announcement and the anticipated restructuring of debt that was subsequently secured by the agreement of a Company Voluntary Arrangement entered into by the company on 4 September 2018, the 2020 and 2021 Loan Notes were assessed as falling due on demand at a fair value equivalent to their redemption price. This was based on conditions included in the Loan Note Instrument that stated that the redemption price could become immediately repayable at the option of a noteholder following the occurrence of certain events, including debt restructuring arrangements. This resulted in an exceptional charge of £787,000 to profit or loss in the period ended 30 June 2019.

Provisions against amounts owed to the company from fellow group undertakings were also made at 30 June 2019 resulting in an exceptional charge to profit or loss of £1,812,000 in the period ended 30 June 2019. In the year ended 30 June 2020 a part reversal of this provision resulted in a £16,000 credit to profit or loss.

4 Operating loss

	2020	2019
	£000	£000
Operating loss for the period is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	4	6
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Directors	2	3
	<u> </u>	<u> </u>
Their aggregate remuneration comprised:		
	2020	2019
	£000	£000
Wages and salaries	-	183
	<u> </u>	<u> </u>

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

6 Directors' remuneration

	2020 £000	2019 £000
Remuneration for qualifying services	-	133

In the remuneration noted above for the period ended 30 June 2019, an additional £100,000 was recognised in the company's CVA creditors for loss of office for directors under their contractual terms. Total key management personnel compensation for the year was £Nil (2019: £133,000).

7 Interest payable and similar expenses

	2020 £000	2019 £000
Interest on financial liabilities measured at amortised cost:		
Other interest on financial liabilities	125	283

8 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £000	2019 £000
Loss before taxation	(118)	(3,228)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(22)	(613)
Tax effect of expenses that are not deductible in determining taxable profit	-	514
Unutilised tax losses carried forward	19	99
Other	3	-
Taxation charge for the period	-	-

9 Fixed asset investments

	Notes	2020 £000	2019 £000
Investments in subsidiaries	10	47	47

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

9 Fixed asset investments (Continued)

Movements in fixed asset investments

Shares in group
undertakings

£000

Cost or valuation

At 1 July 2019 & 30 June 2020

47

Carrying amount

At 30 June 2020

47

At 30 June 2019

47

10 Subsidiaries

Details of the company's subsidiaries at 30 June 2020 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Tidal Lagoon Power Limited	1	Development	Ordinary	100.00
Tidal Lagoon (West Cumbria) Plc	1	Dormant	Ordinary	93.60
Tidal Lagoon (Colwyn Bay) Plc	1	Dormant	Ordinary	100.00
Tidal Lagoon (Cardiff) Ltd	1	Dormant	Ordinary	100.00
Simec Tidal Lagoon Power India Ltd	1	Dormant	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

1 The registered office of all subsidiary companies is Fourth Floor, Pillar & Lucy House, Merchants Road, Gloucester, GL2 5RG.

11 Debtors

	2020 £000	2019 £000
Amounts falling due within one year:		
Other debtors	2	2

2018 Loan Notes were historically fair valued through profit or loss at their subscription price plus accrued interest at 20%. As at 31 December 2017 and due to the adverse impact of the UK Government's decision on the recoverability of the 2018 Loan Notes, the fair value was reassessed as £Nil.

The company has made a provision against amounts owed from group undertakings totalling £7,091,000 (2019: £7,107,000) at the balance sheet date.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

12 Creditors: amounts falling due within one year

	Notes	2020 £000	2019 £000
Other borrowings	13	6,564	6,589
Trade creditors		60	61
Amounts owed to group undertakings		1,326	1,326
Taxation and social security		-	1
Other creditors		300	150
Accruals and deferred income		223	231
		<u>8,473</u>	<u>8,358</u>

Under the terms of the CVA proposals, payments to CVA related creditors are capped at £8,545,000, included repayment of a secured loan due to the Welsh Government.

13 Loans and overdrafts

	2020 £000	2019 £000
2020 Loan Notes	2,250	2,250
2021A Loan Notes	1,740	1,740
2021B Loan Notes	1,000	1,000
Other loans	1,574	1,599
	<u>6,564</u>	<u>6,589</u>

2020 Loan Notes and 2021 Loan Notes are redeemable on the earlier of financial close of the Swansea Bay Tidal Lagoon Project, or 31 December 2020 or 31 December 2021, respectively. The contractual return is contingent on financial close. At the redemption date, the loan note holder can either receive a return of 1.5 to 2.0 times the subscription value or convert the loan note to equity at a fixed subscription price.

The loan note instruments also allow the noteholder to demand immediate repayment in the event of certain conditions, including a restructuring of debt arrangements. Following the UK Government's decision on 25 June 2018, the fair value of the loan notes were assessed as repayable on demand at the full redemption price and adjustments made accordingly in the 18 month period ended 30 June 2019. The maximum amount that might be paid out on TLSB financial close is £4,990,000 (2019: £4,990,000).

In addition to the loans detailed above, other loans of £486,000 were taken out in 2017, the repayment of which is directly linked to recovery of the 2018 Loan Notes asset as detailed in Note 11. Due to the adverse impact of the Government's decision on the recoverability of the 2018 Loan Notes, this liability was reassessed at £Nil as at 30 June 2019 and adjusted accordingly in the 18 month period ended 30 June 2019. The maximum amount that might be paid out on financial close in respect of these loan notes is £1,458,000 (2019: £1,458,000).

Other loans are secured against a fixed and floating charge against all assets of the company.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

14 Financial instruments

	2020	2019
	£000	£000
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	4,990	4,990

Details of financial liabilities held at fair value through profit or loss are disclosed in note 13 to the financial statements.

15 Contingent liabilities

At the balance sheet date, the company had provided a guarantee amounting to £3,860,000 (2019: £3,860,000) plus accrued interest over certain 2018 Loan Notes issued by a related party, Tidal Lagoon (Swansea Bay) Plc.

At the balance sheet date, the company had contingent liabilities amounting to £237,000 (2019: £110,000) payable in the event that the Swansea Bay Tidal Lagoon Project reaches financial close.

16 Capital commitments

At the balance sheet date, the company had no capital commitments (2019: £Nil).

17 Contingent assets

At the balance sheet date, the company had a contingent asset amounting to £482,000 (2019: £482,000) plus accrued interest relating to costs incurred on behalf of a related party, Tidal Lagoon (Swansea Bay) Plc.

18 Share capital

	2020	2019	2020	2019
	Number	Number	£000	£000
Ordinary share capital				
Issued and fully paid				
Ordinary of 1p each	7,004,336	7,004,336	70	70

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 Tidal Lagoon Power Pte ("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.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

19 Share premium account

	2020	2019
	£000	£000
At the beginning and end of the year	11,698	11,698
	<u> </u>	<u> </u>

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

20 Profit and loss reserves

	2020	2019
	£000	£000
At the beginning of the year	(20,074)	(16,846)
Loss for the year	(118)	(3,228)
	<u> </u>	<u> </u>
At the end of the year	(20,192)	(20,074)
	<u> </u>	<u> </u>

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

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

21 Related party transactions

Tidal Lagoon Power Limited ("TLPL")

TLPL is a wholly owned subsidiary of the company.

The company have taken advantage of exemption, under the terms of FRS102, not to disclose related party transactions with wholly owned subsidiaries within the Group.

Shire Oak Energy Limited ("SOEL")

SOEL is the parent company.

At the year end, amounts owed to group undertakings of £1,278,000 (2019: £1,278,000) and trade creditors of £31,000 (2019: £31,000) were held on the balance sheet relating to SOE.

During the year, loan interest of £Nil (2019: £85,000) payable to SOEL was included in the income statement.

Tidal Lagoon (Swansea Bay) Plc ("TLSB")

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

At the year end, the fair value of amounts held on the balance sheet as owing from TLSB were £Nil (2019: £Nil).

Exceptional items of £Nil (2019: £107,000) relating to TLSB are included in the income statement.

The company has provided a guarantee amounting to £3,860,000 (2019: £3,860,000) plus accrued interest over certain other 2018 Loan Notes issued by TLSB.

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

TLWC is a non-wholly owned subsidiary of the company.

At the year end, amounts owed to group undertakings of £49,000 (2019: £49,000) were held on the balance sheet relating to TLWC.

M C Shorrock ("MCS")

MCS is a director of the company and its ultimate controlling party.

At the balance sheet date, the company owed £150,000 to the director MCS with this amount included within other creditors. This amount is included in the Company Voluntary Arrangement entered into on 4 September 2018 by the company

22 Ultimate controlling party

The company's controlling party is Shire Oak Energy Limited, a private company limited by shares and registered in England and Wales.

Ultimate control of the company resides with the director, M C Shorrock.

23 Events after the reporting date

After the balance sheet date but before the date of this report, the company's creditors voted to agree to a variation to the terms of the Company Voluntary Arrangement entered into on 4 September 2018, including to extend its term to 4 September 2022.

TIDAL LAGOON PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

24 Cash absorbed by operations

	2020 £000	2019 £000
Loss for the year after tax	(118)	(3,228)
Adjustments for:		
Finance costs	125	283
Fair value (gain)/loss on investment properties	(16)	2,707
Movements in working capital:		
Increase/(decrease) in creditors	6	(1,641)
Cash absorbed by operations	<u>(3)</u>	<u>(1,879)</u>

25 Analysis of changes in net funds/(debt)

	1 July 2019 £000	Cash flows £000	30 June 2020 £000
Cash at bank and in hand	3	(3)	-
	<u>3</u>	<u>(3)</u>	<u>-</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.