

The Insolvency Act 1986

Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company

Pelamis Wave Power Limited

Company number

SC182368

(a) Insert full
name(s) and
address(es) of
administrator

IAWe (a) Blair Carnegie Nimmo
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

administrator of the above company attach a progress report for the period

from

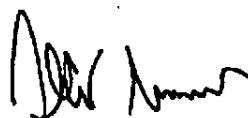
to

(b) Insert date(s)

(b) 21 November 2015

(b) 20 May 2016

Signed



Administrator

Dated

29 June 2016

Contact Details:

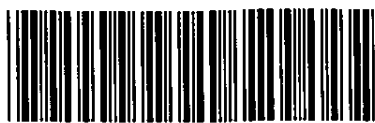
You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form.

The contact information that you give will be visible to searchers of the public record

Blair Carnegie Nimmo
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Tel +44 (0) 131 222 2000

FRIDAY



SCT

S5AA67Y2

01/07/2016

#152

COMPANIES HOUSE

When you have completed and signed this form, please send it to the Registrar of Companies at:-
Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge,
Edinburgh, EH3 9FF
DXED235 Edinburgh 1 / LP- 4 Edinburgh 2



cutting through complexity™

Pelamis Wave Power Limited - in Administration

Administrator's progress report for the
period 21 November 2015 to 20 May 2016

27 June 2016

Notice to creditors

This progress report provides an update on the administration of the Company.

I have included (Appendix 2) an account of all amounts received and payments made since the date of our appointment.

I have also explained our future strategy for the administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in this progress report such as the costs which we have incurred to date.

A glossary of the abbreviations used throughout this document is attached (Appendix 4).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+PEB24E5700.html>. We hope this is helpful to you.

Please also note that an important legal notice about this progress report is attached (Appendix 5).



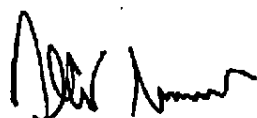
Contents

1	Executive summary	1
2	Progress to date	2
3	Dividend prospects and dividends paid	2
4	Administrator's remuneration, outlays and disbursements	3
5	Future strategy	4
Appendix 1	Statutory information	5
Appendix 2	Administrator's receipts and payments account	6
Appendix 3	Administrator's charging and disbursements policy	8
Appendix 4	Glossary	12
Appendix 5	Notice: About this report	13



1 Executive summary

- This progress report covers the period from 21 November 2015 to 20 May 2016.
- The directors resolved on 21 November 2014 to place the Company into administration. The notice of appointment was lodged at the Court of Session on 21 November 2014 and Gary Steven Fraser and I were duly appointed Joint Administrators. Gary Steven Fraser has subsequently retired from KPMG and I continue in my capacity as sole Administrator.
- The background and events leading up to the administration were outlined in Statement of Proposals (the 'proposals'), sent to all known creditors on 14 January 2015. The proposals were deemed to be approved without modification on 3 February 2015.
- Subsequent progress reports on the administration were sent to the Company's creditors on 1 July 2015 and 22 December 2015.
- During the period a distribution of £24,775.36 was received from the solvent liquidation of a joint venture, Aegir Wave Power Limited, in which the Company had an interest (Section 2 - Progress to date).
- I anticipate there will be a significant shortfall to the secured creditor, Scottish Enterprise (Section 3 - Dividend prospects).
- The preferential creditors have now received a dividend of 100p in the £ (Section 3 - Dividend prospects).
- Unsecured creditors are unlikely to receive a dividend other than through the Prescribed Part (should funds allow it) (Section 3 - Dividend prospects).
- The administration is currently due to end on 20 November 2016 (Section 5 – Future strategy).
- Please note: you should read this progress report in conjunction with our previous progress reports and proposals which were issued to the Company's creditors and can be found at <http://www.insolvency-kpmg.co.uk/case+KPMG+PEB24E5700.html>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



Blair Nimmo
Administrator

2 Progress to date

This section updates you on our strategy for the administration and on our progress to date. It follows the information provided in our previous progress reports.

2.1 Strategy and progress to date

As detailed in the proposals and subsequent progress reports, following a focused post administration sales process, no buyer was found for the Company's business and assets as a going concern. A sale of the majority of Company's tangible and intangible assets to Highlands and Islands Enterprise ('HIE') (acting through its subsidiary, WES) completed in January 2015.

As previously reported, following the sale to WES, the focus of the administration has been on realising the Company's other assets and facilitating the payment of preferential creditor claims.

2.2 Asset realisations

Realisations during the period are set out in the attached receipts and payments account (Appendix 2).

In the period, the Company received a distribution of £24,775.36 in respect of the solvent liquidation of its Joint Venture, Aegir Power Limited, which has now concluded.

We are continuing our investigations to establish whether there are any further assets to be realised.

Investigations

I reviewed the affairs of the Company to ascertain if there are any actions which could be taken against third parties to increase recoveries for creditors, however no such actions were identified and I have concluded that further investigation work will not be necessary. If you wish to bring to my attention to any matters which you believe to be relevant, please do so by writing to Kirsty Marshall at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.

2.3 Costs

Payments made in this period are set out in the attached receipts and payments account (Appendix 2).

No significant costs were incurred during the period.

3 Dividend prospects and dividends paid

3.1 Secured creditors

RBS

RBS had set off rights over £20,000 held in a deposit account in relation to the Company's corporate credit cards. These funds were returned to the administration account following the appointment and RBS has no further claim in the administration.

Scottish Enterprise

As outlined in the Proposals, Scottish Enterprise provided funding to the Company which was secured by a bond and floating charge over the Company's business and assets. Scottish Enterprise has confirmed that at the date of my appointment, the principal debt owed by the Company was £12,880,647 (interest and charges continue to accrue on this balance). The dividend available to Scottish Enterprise will be dependent on the final realisations in the administration. It is currently estimated that a small dividend may be available to Scottish Enterprise under its floating charge, however it will incur a significant shortfall on its debt.

3.2 Preferential creditors

Preferential creditors have now been paid in full, with the final amount payable totalling £201,154.22 as shown in Appendix 2.

3.3 Unsecured creditors

Based on current estimates, it is unlikely that there will be a dividend to unsecured creditors, other than a small distribution under the Prescribed Part. The amount of any dividend will ultimately be dependent on any further asset realisations and the costs of the administration. However, any dividend will not be material in the context of the Company's debts.

4 Administrator's remuneration, outlays and disbursements

4.1 Administrator's remuneration, outlays and disbursements

The Company's secured creditor, Scottish Enterprise, has approved a further interim fee of £58,500 plus VAT and outlays of £425.31 plus VAT. Accordingly, I am seeking approval of the same from the Company's preferential creditors.

A resolution in respect of these fees is enclosed and I would be grateful if preferential creditors could complete this and return to my colleague, Kirsty Marshall at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG, by 15 July 2016.

Time costs

From 21 November 2015 to 20 May 2016, we have incurred time costs of £6,875.25. These represent 23.90 hours at an average rate of £287.67 per hour.

A detailed analysis of the time spent is provided at Appendix 3.

Remuneration and outlays

During the period, as previously approved, remuneration of £254,522.15 plus VAT and outlays of £362.49 plus VAT were drawn.

Disbursements

During the period, we have not incurred any disbursements.

Additional information

I have attached (Appendix 3) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from 21 November 2015 to 20 May 2016. I have also attached our charging and disbursements policy.

5 Future strategy

5.1 Future conduct of the administration

I will continue to manage the affairs, the business and the property of the Company in order to achieve the purpose of the administration. This will include but not be limited to:

- Investigating whether any additional value can be obtained from the Company's assets;
- Continuing to log creditors' claims and, in the event that a Prescribed Part dividend is available for distribution, adjudicating on these claims and facilitating a dividend payment;
- Making a distribution to the secured creditor;
- Statutory reporting to creditors to provide updates on the progress of the administration; and
- Attending to all statutory aspects of the administration process and bringing the administration to an end.

5.2 Future reporting

Subject to all remaining matters being concluded, it is presently my intention to provide my final progress report by 20 November 2016.

Appendix 1 Statutory information

Company information

Company name	Pelamis Wave Power Limited
Date of incorporation	26 January 1998
Company registration number	SC182368
Present registered office	KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG

Administration information

Administration appointment	The administration appointment granted in Court of Session
Appointor	Directors
Date of appointment	21 November 2014
Administrator's details	Blair Nimmo
Prescribed Part distribution	<p>The Administrator does not intend to apply to Court to obtain an order that the Prescribed Part shall not apply.</p> <p>Accordingly, at present the Administrator intends to make a distribution to the unsecured creditors.</p>

Current administration expiry date

20 November 2016

Appendix 2 Administrator's receipts and payments account

Pelamis Wave Power Limited - in Administration

Administrator's abstract of receipts & payments

	From 21/11/2015 To 20/05/2016 (£)	From 21/11/2014 To 20/05/2016 (£)
ASSET REALISATIONS		
Sale of assets to WES	NIL	305,000.00
Furniture & equipment	NIL	950.00
Motor vehicles	NIL	250
Cash at bank	NIL	474,406.67
Shares & Investments	24,775.36	24,775.36
	<u>24,775.36</u>	<u>805,382.03</u>
OTHER REALISATIONS		
Bank interest (gross)	379.34	1,212.39
Insurance recharge	NIL	3,459.96
Sundry refunds	NIL	14,506.00
Inspection fees	NIL	14,000.00
	<u>379.34</u>	<u>33,178.35</u>
COST OF REALISATIONS		
Administrators Fees	(254,884.64)	(254,884.64)
Direct labour	NIL	(80,740.38)
Consultant fees	NIL	(5,500.64)
Rent	NIL	(33,392.95)
Rates	NIL	(14,563.04)
Repairs/maintenance	NIL	(5,904.41)
Other property expenses	NIL	(362.47)
Electricity	NIL	(10,919.57)
Telephone & IT	NIL	(5,458.25)
Agent's/Valuer's fees	NIL	(10,812.00)
Legal fees	16.67	(52,884.33)
Statutory costs	NIL	(99.60)
Bank charges	NIL	(500.00)
	<u>(254,867.97)</u>	<u>(476,022.28)</u>

Pelamis Wave Power Limited - in Administration**Administrator's abstract of receipts & payments**

	From 21/11/2015 To 20/05/2016 (£)	From 21/11/2014 To 20/05/2016 (£)
PREFERENTIAL CREDITORS		
Employees' wage arrears, accrued holidays etc	NIL	(201,154.22)
	NIL	(201,154.22)
UNSECURED CREDITORS		
Employees	NIL	(43,895.47)
	NIL	(43,895.47)
	NIL	117,488.41
REPRESENTED BY		
Floating charge current		66,074.82
Net VAT receivable/(payable)		51,413.59
		117,488.41

Appendix 3 Administrator's charging and disbursements policy

Administrator's charging policy

The time charged to the administration is by reference to the time properly given by me and my staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or me.

A copy of "A Creditors' Guide to Administrators' Remuneration Scotland" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

[https://www.r3.org.uk/media/documents/technical_library/SIPS/Creditors' Guide to Administrators' Remuneration Scotland.pdf](https://www.r3.org.uk/media/documents/technical_library/SIPS/Creditors'_Guide_to_Administrators'_Remuneration_Scotland.pdf)

If you are unable to access this guide and would like a copy, please contact Kirsty Marshall on 0131 527 6658.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Charge-out rates (£) for: Pelamis Wave Power Limited – in Administration

Grade	From 01 Oct 2015 £/hr
Partner	595
Director	535
Senior Manager	485
Manager	405
Senior Administrator	280
Administrator	205
Support	125

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, I will inform creditors of any material amendments to these rates.

Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

Category 1 disbursements: These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have not incurred any disbursements during the period.

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

The Category 2 disbursements have not been approved.

Creditors' right to challenge our remuneration and outlays

If you wish to challenge the basis of our remuneration, the remuneration approved, or the outlays approved during the period covered by this progress report, you must do so by making an application to Court within eight weeks of the accounting period and no later than 15 July 2016 or within 14 days of receiving this progress report.

Applications by any creditor must be made with concurrence of at least 25% in value of unsecured creditors (including the creditor making the challenge).

The full text of the relevant rules can be provided on request by writing to Kirsty Marshall at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.

Narrative of work carried out for the period 21 November 2015 to 20 May 2016

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none">■ preparing statutory receipts and payments accounts;■ ensuring compliance with all statutory obligations within the relevant timescales.
Strategy	<ul style="list-style-type: none">■ formulating, monitoring and reviewing the administration strategy;■ briefing staff on the administration strategy and matters in relation to various work-



documents, Checklist and reviews	<ul style="list-style-type: none"> ■ streams; ■ regular case management and reviewing of progress, including regular team update meetings and calls; ■ reviewing and authorising junior staff correspondence and other work; ■ dealing with queries arising during the appointment; ■ reviewing matters affecting the outcome of the administration; ■ allocating and managing staff/case resourcing and budgeting exercises and reviews; ■ liaising with legal advisors; ■ complying with internal filing and information recording practices, including documenting strategy decisions.
Reports to secured creditors	<ul style="list-style-type: none"> ■ providing written and oral updates to representatives of secured creditors regarding the progress of the administration and case strategy.
Cashiering	<ul style="list-style-type: none"> ■ preparing and processing vouchers for the payment of post-appointment invoices; ■ creating remittances and sending payments to settle post-appointment invoices; ■ reconciling post-appointment bank accounts to internal systems; ■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax	<ul style="list-style-type: none"> ■ analysing VAT related transactions; ■ dealing with post appointment tax compliance.
Shareholders	<ul style="list-style-type: none"> ■ responding to enquiries from shareholders regarding the administration; ■ providing copies of statutory reports to the shareholders.
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9; ■ drawing remuneration in accordance with the basis and amount which has been approved together with outlays including disbursements as determined by secured and preferential creditors; ■ dealing with the ongoing storage of Company books and records.
Asset realisations	<ul style="list-style-type: none"> ■ pursuing a distribution from the solvent liquidation of the Company's Joint Venture; ■ investigating other potential assets which may be realised for the benefit of the administration.
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets; ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; ■ assessing the level of insurance premiums.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the administration and their employment; ■ communicating and corresponding with HM Revenue and Customs; ■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office; ■ managing claims from employees.
Creditors and claims	<ul style="list-style-type: none"> ■ updating the list of unsecured creditors; ■ responding to enquiries from creditors regarding the administration and submission of their claims; ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; ■ drafting our progress report.

Time costs

SIP 9 – Time costs analysis (21/11/2015 to 20/05/2016)

	Hours					Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total		
Administration & planning							
Cashiering							
General (Cashiering)			0.60		0.60	168.00	280.00
Reconciliations (& IPS accounting reviews)			0.20		0.20	56.00	280.00
General							
Fees and WIP			1.05		1.05	294.00	280.00
Statutory and compliance							
Checklist & reviews			1.00		1.00	280.00	280.00
Tax							
Post appointment corporation tax			1.85		1.85	518.00	280.00
Post appointment VAT			1.00		1.00	280.00	280.00
Creditors							
Creditors and claims							
General correspondence			2.90		2.90	804.50	277.41
Statutory reports			6.50		6.50	1,640.00	252.31
Employees							
Correspondence			1.40		1.40	392.00	280.00
DTI redundancy payments service			1.00		1.00	280.00	280.00
Pensions reviews			0.75		0.75	191.25	255.00
Realisation of assets							
Asset Realisation							
Leasehold property			3.75		3.75	1,050.00	280.00
Other assets		1.90			1.90	921.50	485.00
Total in period	0.00	1.90	22.00	0.00	23.90	6,875.25	287.67

Brought forward time (appointment date to SIP 9 period start date)	920.60	330,378.50
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	23.90	6,875.25
Carry forward time (appointment date to SIP 9 period end date)	944.50	337,253.75

Appendix 4 Glossary

Company	Pelamis Wave Power Limited - in Administration
Administrator/I	Blair Nimmo
KPMG	KPMG LLP
Secured creditor	Scottish Enterprise
WES	Wave Energy Scotland Limited

Any references in this progress report to sections, paragraphs or rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency (Scotland) Rules 1986 respectively.

Appendix 5 Notice: About this report

This report has been prepared by Blair Nimmo, the Administrator of Pelamis Wave Power Limited – in Administration (the 'Company'), solely to comply with his statutory duty to report to creditors under the Insolvency (Scotland) Rules 1986 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

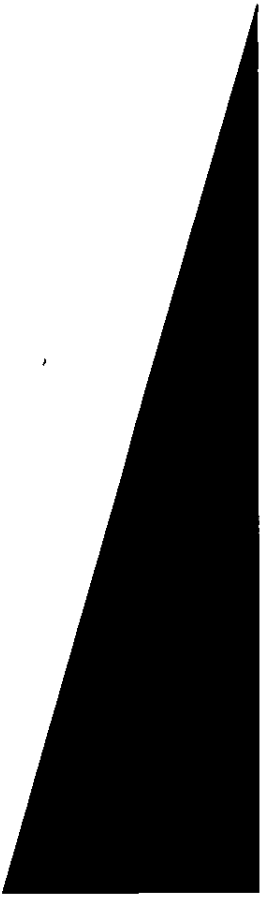
Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency (Scotland) Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Administrator does not assume any responsibility and will not accept any liability in respect of this report to any such person.

Blair Carnegie Nimmo is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants of Scotland.

I am bound by the Insolvency Code of Ethics.

The Administrator acts as agent for the Company and contracts without personal liability. The appointments of the Administrator is personal to him and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this report or the conduct of the administration.



© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

