

The Insolvency Act 1986

**Statement of administrator's proposals**

Pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986  
and Rule 2.25 of the Insolvency (Scotland) Rules 1986

Name of Company

Pelamis Wave Power Ltd

Company number

SC182368

We Gary Steven Fraser  
KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

Blair Carnegie Nimmo  
KPMG LLP  
Saltire Court  
20 Castle Terrace  
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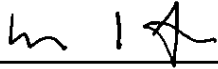
attach a copy of our proposals in respect of the administration of the above company.

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 14 January 2015

Signed

  
Joint Administrator

Dated

14 January 2015

**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

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SATURDAY



SCT

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17/01/2015  
COMPANIES HOUSE

#411

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



# **Pelamis Wave Power Ltd - in Administration**

Joint Administrators' proposals

14 January 2015

# Notice to creditors

We have made this document available to you to set out the purpose of the administration and to explain how we propose to achieve it.

We have also explained why the Company entered administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in the document such as the proposed basis of our remuneration.

A glossary of the abbreviations used throughout this document is attached (Appendix 5).

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 statement of proposals is attached (Appendix 6).**



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# 1 Executive summary

- The Company had largely exhausted its available cash reserves. Its wave energy technology, whilst advanced, was still in development and some years from commercialisation.
- As a consequence of no additional funding being available to continue development, the Company's directors reviewed the cash-flow forecast and concluded that the Company was unable to continue trading.
- In order to protect the value in the Company's intellectual property, the directors appointed us – Gary Fraser and Blair Nimmo of KPMG LLP – as Joint Administrators on 21 November 2014 (Section 2 - Background and events leading to the administration).
- As the Company had no immediate source of revenue and a substantial cost base it was necessary to reduce employee numbers, with a small number of employees retained to assist with a sale of business process. Following a short period of marketing and an initial closing date, a preferred bidder for the majority of the Company's assets was appointed on 19 December 2014. We hope to complete the transaction imminently. (Section 3 - Strategy and progress of the administration to date).
- We anticipate that there will be a substantial shortfall to the Secured creditor (Section 4 - Dividend prospects).
- We anticipate that preferential creditors will receive a dividend. The amount of this is currently uncertain (Section 4 - Dividend prospects).
- Unsecured creditors are unlikely to receive a dividend other than through the Prescribed Part, and the possibility of this is uncertain at present (Section 4 - Dividend prospects).
- At this stage, we anticipate the most likely exit route from administration will be by conversion to a creditors' voluntary liquidation (Section 5 - Ending the administration).
- We do not intend to hold a meeting of creditors. (Section 6 on page 8 provides details of the process required to request a meeting).
- We propose that our remuneration be drawn on the basis of time properly given by us and the various grades of our staff. We will seek approval for this from the secured and preferential creditors (Section 7 – Joint Administrators' remuneration, disbursements and pre-administration costs).
- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 8 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.

Gary Fraser  
Joint Administrator



## **2 Background and events leading to the administration**

### **2.1 Background information**

The Company was incorporated in 1998 and its principal activity was the development and manufacturing of wave energy converter systems and associated engineering projects.

At the date of entering Administration the Company operated from leasehold premises in Leith, Edinburgh where it employed 46 members of staff. A further 10 employees were employed at a site in Orkney.

### **2.2 Funding and financial position of the Company**

As its technology was still in the development stage, the Company's primary source of funding was from investors including private equity funders, large energy companies and Government backed agencies. In addition, Scottish Enterprise provided debt funding to the Company, which was secured by a floating charge over the Company's assets. At the date of our appointment the amount outstanding to Scottish Enterprise totalled £8.0 million before the application of termination and default charges.

In the year to 31 December 2013, the Company's audited accounts showed turnover of £1.9 million and a net loss of £4.2 million. Net liabilities totalled £14.4 million.

### **2.3 Events leading to the administration**

Significant investment had been made in developing the Company's technology over a number of years, however, the concept and design was not yet capable of commercialisation or generating sufficient revenue to cover the Company's costs. The directors advise that a further prototype device would have been required to be designed, manufactured and tested before commercial sales and production could commence. This would have required significant further cash investment and would have taken a number of years to achieve.

The Company had previously obtained funding from various third party sources and the directors had undertaken several processes to seek further investment and/or a sale of the Company. This included appointing corporate finance advisors to explore a sale to parties in the renewable energy sector and seeking parties who would be capable of injecting sufficient capital for development to continue. Unfortunately, no party was willing to acquire the Company or provide significant investment.

In late 2014, the Company approached parties with a view to obtaining funding to enable the next phase of development to commence. Whilst the directors had been hopeful of achieving further funding, ultimately, no third party or any of the Company's existing shareholders or funders wished to commit additional funds to the Company.

As a consequence, and after considering the Company's cash-flow projections, the directors concluded that an insolvency process was required in order to protect the business and assets, and the Company's intellectual property. Accordingly, the directors via their lawyer contacted us on 19 November 2014 to advise us of the Company's financial position and to discuss the options open to it. Prior to this, neither we nor KPMG LLP had any material professional relationship with the Company.

## **2.4 Appointment of Joint Administrators**

The directors resolved on 19 November 2014 to place the Company into administration. Following the granting of consent by the qualifying floating chargeholder, a notice of appointment was lodged at the Court of Session on 21 November 2014 and we were duly appointed.

# **3 Strategy and progress of the administration to date**

## **3.1 Strategy to date**

### **Strategy**

On our appointment we reviewed the Company's short term cash-flow forecast to assess the financial implications of continuing to operate the Company with its existing cost base. As the Company was almost entirely in a development phase, had no immediate source of revenue, minimal forecast cash receipts and no work in progress to complete, any continued trading would have been loss making. Maintaining the Company's existing cost base would have allowed research and development to continue for a short time, however, the funds available would have quickly been extinguished and this would have been unlikely to provide a benefit to creditors.

The Company's primary asset was its intellectual property and knowhow associated with the development of its technology. In total, over £90 million had been invested in developing the Company's technology and it was considered a leading player in the wave energy field. We concluded that achieving a going concern sale of the business, or a sale of all or significant parts of the Company's assets, would likely provide the best outcome for creditors by maximising realisations from intangible assets.

To allow time for a thorough sales process to be undertaken, it was necessary to reduce the Company's employee numbers. In consultation with the directors, we reduced the number of employees through redundancies from 56 to 16 shortly after our appointment. This allowed the preservation of roles that were considered necessary to document and explain the technology to potential purchasers.

Retained staff comprised 13 members of staff in Leith (mainly technical staff to support the sale process) and three employees in Orkney (to assist with safeguarding the Company's assets in that location - primarily the Company's P2 generator which remained in the sea and required regular monitoring to ensure safety and security). Whilst the level of redundancies represented a significant proportion of the Company's workforce, this was the only available route to substantially reduce costs and provide a platform for a sale process to be undertaken.

### **Sale of business**

Following discussions with the Company's management, a review of the Company's previous sale processes and our own research, a list of parties who may have an interest in acquiring the Company's business and assets was compiled. In total, 47 potentially interested parties were identified and a number of parties also approached us directly to notify an interest. A one page document summarising the opportunity to acquire the Company's business and assets was circulated, inviting parties to contact us to discuss their interest with a view to providing access to additional information. This was issued on 25 November 2014.

Following the issuing of the initial document, those parties who expressed an interest were sent a non-disclosure agreement (NDA) to allow them access to additional detailed information. In total, 18 interested parties signed a NDA and were granted access to an online data room. The data room included information on the Company's patents, technical development data, recent financial information and tangible assets.



Several interested parties requested additional specific items of information to assist with their diligence. We also facilitated site visits for parties and arranged meetings/discussions with the Company's staff to enable potential bidders to ask specific technical questions.

Due to the ongoing costs of the Company and the risk that asset values could quickly erode, a closing date for indicative offers was set for 10.30am on 9 December 2014. Setting an early closing date helped us to identify and differentiate between those parties with a serious, credible interest and those who had no real desire or ability to complete an acquisition at an acceptable level.

At the initial closing date, several offers for all or substantial parts of the Company's business and assets were received. A number of offers were made for individual assets, but these were at insufficient levels for us to consider selling assets piecemeal. The offers which appeared to be at acceptable levels were, not unexpectedly, subject to a degree of conditionality, such as due diligence, granting of certain licences and provision of guarantees by the Administrators.

We then set a final closing date for unconditional offers of 10.30am on 17 December 2014; the intention being to focus efforts on assisting the parties who submitted bids to carry out further detailed diligence to remove any conditionality attaching to their offers during the interim period. This included arranging further site visits, facilitating discussions with staff and granting access to bidders' agents/advisors.

At the final closing date, in addition to the requirement that bids be at an acceptable level, we requested that the purchaser must:

- provide proof of funding for the full purchase price when submitting their final offer; and
- pay a 10% non-refundable deposit immediately once they were made preferred bidder and granted exclusivity.

At the final closing date, we received several unconditional offers. During the sales process, our aim was to achieve a sale of the business and assets of the Company as a going concern, unfortunately, the offers received at the final closing date were for the Company's assets (or parts thereof) only.

The highest bidder, Highlands and Islands Enterprise (acting through one of its subsidiaries) ('HIE') was formally appointed preferred bidder on 19 December 2014 and granted a period of exclusivity whilst a transaction was completed. In line with the terms stated above, HIE paid a 10% non-refundable deposit.

HIE's offer was for all of the Company's intellectual property, patents and knowhow; the majority of the Company's tangible assets; and a request to assign certain of the Company's interests in development sites (non-freehold).

Whilst we had initially hoped to conclude the transaction with HIE on or around 24 December 2014, the limited time available ultimately proved to be insufficient to agree all the legal documentation required for the transaction. Accordingly, after a period of negotiation, on 24 December 2014 we granted HIE an extension to their period of exclusivity through to 16 January 2015, with HIE being responsible for any costs incurred as a consequence of the delay.

As HIE's offer was for the Company's assets only and no going concern options were available to us, the remaining 16 members of the Company's staff were made redundant. At this date, HIE also took over responsibility for securing the Company's P2 generator in Orkney.

In the period since 24 December 2014, together with our solicitor, we have been working closely with HIE to progress the remaining legal and logistical matters with a view to completing the transaction on (or before) 16 January 2015. Whilst the transaction has not yet completed, matters are now at an advanced stage and we are confident a transaction will be completed imminently. As the transaction



has not yet completed, for reasons of commercial confidentiality we have not disclosed the purchase price in this document.

## **3.2 Asset realisations**

Realisations from the date of our appointment to 5 January 2015 are set out in the attached receipts and payments account (Appendix 2).

As the transaction with HIE has not yet completed, assets realised to date do not reflect the funds we expect to receive from the sale of the Company's assets. We are in the process of agreeing the allocation of funds between asset classes at present. A summary of the main asset classes is set out below.

### **Intangible assets**

All of the Company's intellectual property rights, patents, trademarks, copyrights and knowhow will be acquired by HIE.

### **Plant, machinery and other tangible fixed assets**

The majority of plant, machinery and other tangible assets will be acquired by HIE. Any assets which are not acquired by HIE will be disposed of on a piecemeal basis via our plant and machinery agent, GMG Asset Management.

### **Stock**

As the Company was not actively manufacturing, it did not have any significant levels of stock, hence we do not anticipate realisations in this area.

### **Debtors**

As the Company was not generating revenue, there are no trade debtors of note that we are aware of. There may be potential recoveries from sundry debtors (e.g. prepaid insurance).

### **Cash at bank**

The Joint Administrators recovered £482,000 from the Company's pre appointment bank account which has now been transferred to the administration bank account. In addition, the Company's bank, The Royal Bank of Scotland Plc ('RBS') holds a £20,000 security deposit to cover sums due from the Company's corporate credit cards. We are in discussions with RBS to arrange to transfer any surplus due to the Company.

### **Other**

The Company holds shares in two Joint Ventures; Aegir Wave Power Limited and Campanhia da Energia Oceanica SA (Portuguese). In relation to the former, there may be a small return to the administration from the sale of the Company's shareholding or through the solvent liquidation of the Joint Venture. It is unlikely that Portuguese Joint Venture will yield a return to the administration, however our investigations are ongoing.

### **Investigations**

We are reviewing the affairs of the Company to find out if there are any actions which can be taken against third parties to increase recoveries for creditors.

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to the Joint Administrators at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.



### 3.3 Costs

Payments made from the date of our appointment to 5 January 2015 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made to date are provided below. This summary does not include costs which have been accrued and not yet paid, for example non-domestic rates.

#### Employees

The main cost of the administration to date has been the direct labour cost resulting from the retention of 16 members of staff throughout the period from 21 November 2014 to 24 December 2014. In addition, the 40 staff who were made redundant shortly after the administration appointment were paid for two days of employment following our appointment. The costs associated with paying employees are shown under the "Direct labour" caption at Appendix 2.

#### Agents' fees

Agents' fees totalling £4,140 have been paid to date for valuation services provided by GMG Asset Management.

#### Solicitors' fees

Legal fees of £10,550 have been paid to our solicitor, Harper Macleod LLP to date for arranging the administration appointment documentation and assisting with legal matters.

#### Other

In order to maintain the Company's IT systems and ensure data security/backups we have continued to utilise the Company's IT service provider during the Administration at a cost of £3,394 to date. This was deemed a critical service given the Company's main asset (its intellectual property) is primarily stored electronically.

## 4 Dividend prospects

### 4.1 Secured creditors

At the date of our appointment, the Company had the following secured creditors:

**RBS** Set off rights over £20,000 held in a deposit account, as referenced in 3.2 above. This was a deposit in relation to the Company's corporate credit cards. We are advised by RBS that there should be a return of funds to the administration and that RBS will have no further claim in the administration.

**Scottish Enterprise** Scottish Enterprise provided funding to the Company which was secured by a bond and floating charge over the Company's business and assets. The bond and floating charge in favour of Scottish Enterprise was created on 26 October 2011 and registered with Companies House on 27 October 2011.

At the date of our appointment, Scottish Enterprise's principal debt was approximately £8 million, and after the application of accrued interest and redemption charges, we understand that the balance owed to Scottish Enterprise is £12.9 million. We have not yet received a formal claim from Scottish Enterprise. Once this is received, the loan documentation will be reviewed to assist with the adjudication of the Scottish Enterprise claim. The



dividend available to Scottish Enterprise will be dependent on the final level of realisations in the administration, the value of preferential creditors' claims and the amounts due to creditors under the prescribed part. Nevertheless, we expect Scottish Enterprise will incur a significant shortfall on its debt.

## **4.2 Preferential creditors**

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay and (3) certain pension benefits, rank preferentially.

The level of preferential creditor claims has not yet been finalised but we presently estimate that claims will be in the order of:

Arrears of wages            £43,800

Accrued holiday pay       £155,000

Based on current estimates, there will be a dividend available to preferential creditors however, at this time it is not possible to estimate the quantum as this will be dependent on *inter alia*: the level of asset realisations; the costs of the administration process; and the final level of preferential creditor claims.

## **4.3 Unsecured creditors**

Where the Company has granted a floating charge after 15 September 2003, Section 176A of the Act provides that a percentage share of realisations from net floating charge assets is set aside for unsecured creditors, subject to certain exceptions.

In this case, the floating charge held by the Secured Creditor was granted after 15 September 2003. Therefore Section 176A of the Act is applicable and there will be a prescribed part of the Company's net property available for unsecured creditors, if there are funds available after payment of preferential creditors and costs.

The outcome for unsecured creditors is currently uncertain, however it is likely that if a dividend is available through the prescribed part, this is not likely to be material in the context of the Company's debts.

# **5 Ending the administration**

## **5.1 Exit route from administration**

We currently consider it prudent to retain all of the options available to us, as listed in Section 8 to bring the administration to a conclusion in due course.

At this stage we anticipate that the most likely exit route will be through conversion of the administration to a creditors' voluntary liquidation.

## **5.2 Discharge from liability**

We propose to seek approval from the secured and preferential creditors that we will be discharged from liability in respect of any action as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.



Should the circumstances of the administration change, we reserve the right to revert to the unsecured creditors in order to obtain discharge from liability.

## **6 Approval of proposals**

### **6.1 Creditors' meeting**

It is not necessary to hold a meeting of creditors because it appears that the Company has insufficient property to enable us to make a distribution to unsecured creditors other than by virtue of the Prescribed Part as detailed in Appendix 1.

### **6.2 Creditors' right to request an initial creditors' meeting**

We will summon such a meeting (1) if asked to do so by creditors whose debts amount to at least 10% of the total debts of the Company, and (2) if the procedures set out below are followed.

Requests for an initial creditors' meeting must be made within eight business days of the date on which our proposals were issued. They must include:

- a list of the creditors concurring with the request, showing the amounts of their respective claims against the Company in the administration;
- written confirmation of their concurrence from each concurring creditor; and
- a statement of the purpose of the proposed meeting;

In addition, the expenses of summoning and holding a meeting at the request of a creditor must be paid by that creditor. That creditor is required to deposit security for such expenses with us.

If you wish to request a creditors' meeting, please contact Kirsty Marshall on 0131 527 6658 to obtain the requisite forms.

### **6.3 Deemed approval of proposals**

On expiry of eight business days from the date our proposals were issued, without any request for an initial creditors' meeting, it will be deemed that our proposals have been approved by creditors.

## **7 Joint Administrators' remuneration and outlays and disbursements**

### **7.1 Approval of the basis of remuneration and disbursements**

We propose to seek approval from the secured and preferential creditors that:

- our remuneration will be set and drawn on the basis of time properly given by us and the various grades of our staff in accordance with the charge-out rates included in Appendix 3;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 3.

Agreement to the basis and amount of our remuneration and outlays and the drawing of Category 2 disbursements is subject to specific approval. They are not agreed as part of our proposals.



Should the circumstances of the administration change, we reserve the right to revert to the unsecured creditors in order to seek approval for the basis and amount of remuneration and outlays and the drawing of Category 2 disbursements.

#### Time costs

From the date of our appointment to 5 January 2015, we have incurred time costs of £178,185.50. These represent 479.7 hours at an average rate of £371.45 per hour.

#### Disbursements

We have not incurred any disbursements during the period.

#### Additional information

We have attached (Appendix 3) an analysis of the time spent, the charge-out rates for each grade of staff and the disbursements paid directly by KPMG for the period from our appointment to 5 January 2015. We have also attached our charging and disbursements recovery policy.

## 8 Summary of proposals

Prior to entering into administration the company had exhausted all possible funding options therefore rescuing the Company in accordance with Paragraph 3(1)(a) is not achievable.

Therefore our primary objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, in accordance with Paragraph 3(1)(b).

In addition to the specific itemised proposals below, this document in its entirety constitutes our proposals.

We propose the following:

#### General matters

- to continue to do everything that is reasonable, and to use all our powers appropriately, in order to maximise realisations from the assets of the Company in accordance with the objective as set out above;
- to investigate and, if appropriate, to pursue any claims the Company may have;
- to seek an extension to the administration period if we consider it necessary.

#### Distributions

- to make distributions to the secured and preferential creditors where funds allow;
- to make a distribution to unsecured creditors if funds become available after seeking the approval of the Court.

#### Ending the administration

We might use any or a combination of the following exit route strategies in order to bring the administration to an end:

- apply to Court for the administration order to cease to have effect from a specified time and for control of the Company to be returned to the Directors;



- formulate a proposal for either a company voluntary arrangement (CVA) or a scheme of arrangement and put it to meetings of the Company's creditors, shareholders or the Court for approval as appropriate;
- place the Company into creditors' voluntary liquidation. In these circumstances we propose that we, Gary Fraser and Blair Nimmo, be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing the Company into liquidation and to consider, if deemed appropriate, appointing us, Gary Fraser and Blair Nimmo, as Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;
- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

#### Joint Administrators' remuneration

We propose that:

- our remuneration will be set and drawn on the basis of time properly given by us and the various grades of our staff in accordance with the charge-out rates included in Appendix 3;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 3

#### Discharge from liability

We propose that we shall be discharged from liability in respect of any action of ours as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

## Appendix 1 Statutory information

### Company information

Company and Trading name	Pelamis Wave Power Ltd
Date of incorporation	26 January 1998
Company registration number	SC182368
Trading address	31 Bath Road, Edinburgh, EH6 7AH
Previous registered office	31 Bath Road, Edinburgh, EH6 7AH
Present registered office	KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG
Company Directors	Gina Domanig Richard Yemm – 241,000 ordinary shares Charles Vaslet Stuart Deed
Company Secretary	No Company Secretary

### Administration information

Administration appointment	The administration appointment granted in Court of Session on 21 November 2014
Appointor	Directors
Date of appointment	21 November 2014
Joint Administrators	Gary Steven Fraser and Blair Carnegie Nimmo
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2).
Current administration expiry date	20 November 2015
Prescribed Part	The Prescribed Part is applicable in this case It has been taken into account when determining the dividend prospects for unsecured creditors (Section 4).
Estimated values of the Net Property and Uncertain Prescribed Part	
Prescribed Part distribution	Uncertain
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations.

## Appendix 2      Joint Administrators' receipts and payments account

**Pelamis Wave Power Ltd - in Administration**

**Joint Administrators' trading accounts**

Statement of Affairs (£)	From 21/11/2014 To 05/01/2015 (£)	From 21/11/2014 To 05/01/2015 (£)
OTHER DIRECT COSTS		
Direct labour	(128,911.74)	(128,911.74)
	(128,911.74)	(128,911.74)
Trading surplus/(deficit)	(128,911.74)	(128,911.74)





**Pelamis Wave Power Ltd - in Administration**

**Joint Administrators' abstract of receipts & payments**

Statement of affairs (£)	From 21/11/2014 To 05/01/2015 (£)	From 21/11/2014 To 05/01/2015 (£)
<b>ASSET REALISATIONS</b>		
Cash at bank	482,104.29	482,104.29
	<u>482,104.29</u>	<u>482,104.29</u>
<b>OTHER REALISATIONS</b>		
Bank interest, gross	25.10	25.10
Trading surplus/(deficit)	(128,911.74)	(128,911.74)
	<u>(128,886.64)</u>	<u>(128,886.64)</u>
<b>COST OF REALISATIONS</b>		
Legal fees	(10,549.80)	(10,549.80)
Telephone/Telex/Fax	(3,394.25)	(3,394.25)
Statutory advertising	(15.00)	(15.00)
Bank charges	(340.00)	(340.00)
	<u>(14,299.05)</u>	<u>(14,299.05)</u>
<b>PREFERENTIAL CREDITORS</b>		
Employees' wage arrears	(12,800.00)	(12,800.00)
	<u>(12,800.00)</u>	<u>(12,800.00)</u>
<b>UNSECURED CREDITORS</b>		
Employees	(43,895.47)	(43,895.47)
	<u>(43,895.47)</u>	<u>(43,895.47)</u>
	<b>282,223.13</b>	<b>282,223.13</b>
<b>REPRESENTED BY</b>		
Floating ch. VAT rec'able		2,788.81
Floating charge current		279,434.32
	<b>282,223.13</b>	<b>282,223.13</b>

## Appendix 3 Joint Administrators' charging and disbursements policy

### Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our 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 us.

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: Restructuring	
Grade	From 01 Oct 2014 £/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, we 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 21 November 2014 to 5 January 2015.

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

Category 2 disbursements are to be approved in the same manner as our remuneration.

Narrative of work carried out for the period 21 November 2014 to 5 January 2015

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"><li>■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences;</li><li>■ providing initial statutory notifications of our appointment to the Registrar of Companies, The Registrar of Inhibitions and Adjudications, creditors and other stakeholders, and advertising our appointment;</li><li>■ issuing regular press releases and posting information on a dedicated web page;</li><li>■ preparing statutory receipts and payments accounts;</li><li>■ arranging bonding and complying with statutory requirements;</li><li>■ ensuring compliance with all statutory obligations within the relevant timescales.</li></ul>
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"><li>■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same;</li><li>■ briefing of our staff on the administration strategy and matters in relation to various work-streams;</li><li>■ regular case management and reviewing of progress, including regular team update meetings and calls;</li><li>■ meeting with management to review and update strategy and monitor progress;</li><li>■ reviewing and authorising junior staff correspondence and other work;</li><li>■ dealing with queries arising during the appointment;</li><li>■ reviewing matters affecting the outcome of the administration;</li><li>■ allocating and managing staff/case resourcing and budgeting exercises and reviews;</li></ul>

	<ul style="list-style-type: none"> <li>■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters;</li> <li>■ complying with internal filing and information recording practices, including documenting strategy decisions.</li> </ul>
Reports to secured creditors	<ul style="list-style-type: none"> <li>■ providing written and oral updates to representatives of Scottish Enterprise regarding the progress of the administration and case strategy.</li> </ul>
Cashiering	<ul style="list-style-type: none"> <li>■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts;</li> <li>■ preparing and processing vouchers for the payment of post-appointment invoices;</li> <li>■ creating remittances and sending payments to settle post-appointment invoices;</li> <li>■ preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employee's banks;</li> <li>■ reviewing and processing employee expense requests;</li> <li>■ reconciling post-appointment bank accounts to internal systems;</li> <li>■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.</li> </ul>
Tax	<ul style="list-style-type: none"> <li>■ gathering initial information from the Company's records in relation to the taxation position of the Company;</li> <li>■ submitting relevant initial notifications to HM Revenue and Customs;</li> <li>■ reviewing the Company's pre-appointment corporation tax and VAT position;</li> <li>■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations;</li> <li>■ working initially on tax returns relating to the periods affected by the administration;</li> <li>■ analysing VAT related transactions;</li> <li>■ reviewing the Company's duty position to ensure compliance with duty requirements;</li> <li>■ dealing with post appointment tax compliance.</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>■ providing notification of our appointment;</li> <li>■ responding to enquiries from shareholders regarding the administration;</li> <li>■ providing copies of statutory reports to the shareholders.</li> </ul>
General	<ul style="list-style-type: none"> <li>■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9;</li> <li>■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.</li> </ul>
Trading	<ul style="list-style-type: none"> <li>■ preparing cash flow statements to monitor the cash position;</li> <li>■ attending to supplier queries and correspondence;</li> </ul>
Asset realisations	<ul style="list-style-type: none"> <li>■ collating information from the Company's records regarding the assets;</li> <li>■ liaising with finance companies in respect of assets subject to finance agreements;</li> </ul>
Property matters	<ul style="list-style-type: none"> <li>■ reviewing the Company's leasehold properties, including review of leases;</li> <li>■ communicating with landlords regarding rent, property occupation and other issues;</li> </ul>
Sale of business	<ul style="list-style-type: none"> <li>■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers;</li> <li>■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements;</li> <li>■ collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale;</li> <li>■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room;</li> <li>■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties;</li> <li>■ carrying out sale negotiations with interested parties.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>■ liaising with internal health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with;</li> <li>■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance.</li> </ul>
Open cover insurance	<ul style="list-style-type: none"> <li>■ arranging ongoing insurance cover for the Company's business and assets;</li> <li>■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place;</li> <li>■ assessing the level of insurance premiums.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>■ dealing with queries from employees regarding various matters relating to the administration and their employment;</li> <li>■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments;</li> <li>■ holding employee briefing meetings to update employees on progress in the administration and our strategy;</li> </ul>

	<ul style="list-style-type: none"> <li>■ administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns;</li> <li>■ communicating and corresponding with HM Revenue and Customs;</li> <li>■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office;</li> <li>■ managing claims from employees;</li> <li>■ ensuring security of assets held by employees.</li> </ul>
Pensions	<ul style="list-style-type: none"> <li>■ collating information and reviewing the Company's pension schemes;</li> <li>■ calculating employee pension contributions and review of pre-appointment unpaid contributions;</li> <li>■ ensuring compliance with our duties to issue statutory notices;</li> <li>■ ensuring death-in-service cover for employees remains in place;</li> <li>■ communicating with employees representatives concerning the effect of the administration on pensions and dealing with employee queries.</li> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting and circulating our proposals;</li> <li>■ creating and updating the list of unsecured creditors;</li> <li>■ responding to enquiries from creditors regarding the administration and submission of their claims;</li> <li>■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records;</li> <li>■ dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits;</li> </ul>
Investigations/ directors	<ul style="list-style-type: none"> <li>■ reviewing Company and directorship searches and advising the directors of the effect of the administration;</li> <li>■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies;</li> <li>■ reviewing the questionnaires submitted by the Directors of the Company;</li> <li>■ reviewing pre-appointment transactions;</li> <li>■ drafting the statutory report and submitting to the relevant authority.</li> </ul>

# Time costs

## SIP 9 - Time costs analysis (21/11/2014 to 05/01/2015)

	Hours					Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total		
<b>Administration &amp; planning</b>							
Cashiering							
General (Cashiering)			5.40	0.50	<b>5.90</b>	1,274.50	216.02
General							
Books and records			3.10		<b>3.10</b>	830.50	267.90
Fees and WIP			0.20		<b>0.20</b>	56.00	280.00
Statutory and compliance							
Appointment and related formalities	8.40	12.75	32.10		<b>53.25</b>	18,428.25	346.07
Bonding and bordereau		0.50	0.60		<b>1.10</b>	388.00	352.73
Reports to debenture holders	2.90	0.25			<b>3.15</b>	1,672.75	531.03
Strategy documents	4.00	5.75	4.00		<b>13.75</b>	6,288.75	457.36
Tax							
Initial reviews - CT and VAT			2.40		<b>2.40</b>	672.00	280.00
<b>Creditors</b>							
Creditors and claims							
General correspondence		6.50	4.55		<b>11.05</b>	4,426.50	400.59
Pre-appointment VAT / PAYE / CT			0.60		<b>0.60</b>	168.00	280.00
ROT Claims		0.75	7.00		<b>7.75</b>	2,323.75	299.84
Statutory reports	9.00		1.00	1.00	<b>11.00</b>	5,685.00	516.82
Employees							
Correspondence	1.70		98.30	0.40	<b>100.40</b>	28,483.50	283.70
DTI redundancy payments service			4.70		<b>4.70</b>	1,316.00	280.00
Pension funds			0.40		<b>0.40</b>	112.00	280.00
Pensions reviews			3.55		<b>3.55</b>	900.25	253.59
<b>Investigation</b>							
Directors							
Statement of affairs			2.30		<b>2.30</b>	644.00	280.00
Investigations							
Review of pre-appt transactions			2.30		<b>2.30</b>	644.00	280.00
<b>Realisation of assets</b>							



**SIP 9 - Time costs analysis (21/11/2014 to 05/01/2015)**

	Hours					Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total		
Asset Realisation							
Cash and investments			0.50		<b>0.50</b>	140.00	280.00
Health & safety			6.40		<b>6.40</b>	1,792.00	280.00
Leasehold property		0.75	2.00		<b>2.75</b>	923.75	335.91
Open cover insurance			2.00		<b>2.00</b>	560.00	280.00
Plant and machinery		1.25	4.35		<b>5.60</b>	1,824.25	325.76
Sale of business	30.10	114.25	79.10		<b>223.45</b>	93,662.75	419.17
<b>Trading code used when engagement didn't trade</b>							
Trading							
Cash & profit projections & strategy	6.20				<b>6.20</b>	3,317.00	535.00
Purchases and trading costs			0.90		<b>0.90</b>	252.00	280.00
<b>Total in period</b>	<b>62.30</b>	<b>142.75</b>	<b>267.75</b>	<b>1.90</b>	<b>474.70</b>	<b>176,785.50</b>	<b>372.42</b>

Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	474.70	176,785.50
Carry forward time (appointment date to SIP 9 period end date)	474.70	176,785.50

## Appendix 4      Statement of Affairs, including creditor list

The Directors have provided the following Statement of Affairs for the Company as at the date of our appointment.

We have not carried out anything in the nature of an audit on the information provided. The figures do not take into account the costs of the administration and we would refer you to our notes in the body of the report as regards asset realisations.





## Appendix 5      Glossary

<b>Company</b>	Pelamis Wave Power Ltd- in Administration
<b>Joint Administrators/we/our/us</b>	Gary Fraser and Blair Nimmo
<b>KPMG</b>	KPMG LLP
<b>Secured creditor</b>	Scottish Enterprise
<b>GMG</b>	GMG Asset Management
<b>Harper Macleod</b>	Harper Macleod LLP

Any references in these proposals 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 6      Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by Gary Fraser and Blair Nimmo, the Joint Administrators of Pelamis Wave Power Ltd – in Administration (the 'Company'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes 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.

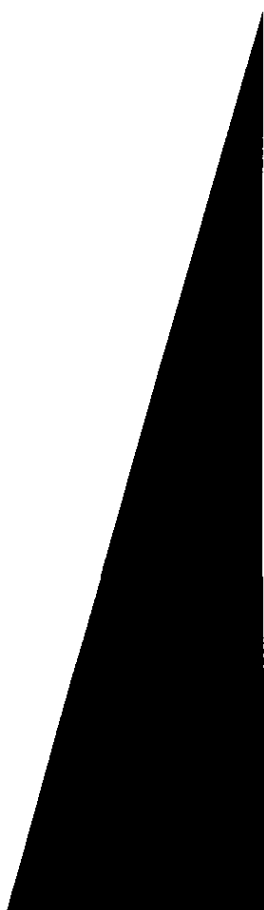
These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

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

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these proposals.

Gary Steven Fraser and Blair Carnegie Nimmo are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

The Joint Administrators act as agents for the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them 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 these proposals or the conduct of the administration.



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