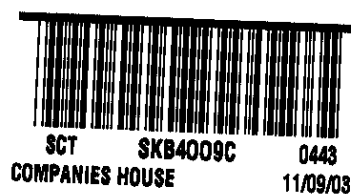


Registration number SC182368

**OCEAN POWER DELIVERY LIMITED**

**Directors' report and financial statements**

**for the 11 months ended 31 December 2002**



## OCEAN POWER DELIVERY LIMITED

### Company information

Directors	Richard William Yemm	
	Michael Davies	Resigned 18/3/02
	Max Carcas	
	David Lindley	Appointed 16/5/02
	Richard Erskine	Appointed 18/3/02
	Marco Fabbri	Appointed 18/3/02
	Gianni Operto	Appointed 18/3/02, Resigned 20/8/02
	Bruno Derungs	Appointed 20/8/02
Secretary	Secretar Securities Limited	
Company number	SC182368	
Registered office	Napier House 27 Thistle Street Edinburgh EH2 1BS	
Auditors	Scott Moncrieff Chartered Accountants and Registered Auditor 17 Melville Street Edinburgh EH3 7PH	
Bankers	Royal Bank of Scotland St Andrew Square EDINBURGH EH2 2YB	

# **OCEAN POWER DELIVERY LIMITED**

## **Contents**

	<b>Page</b>
Directors' report	<b>1</b>
Auditors' report	<b>2 - 3</b>
Profit and loss account	<b>4</b>
Balance sheet	<b>5</b>
Notes to the financial statements	<b>6 - 12</b>

# OCEAN POWER DELIVERY LIMITED

## Directors' report for the 11 months ended 31 December 2002

The directors present their report and the financial statements for the 11 months ended 31 December 2002.

### Principal activity

The principal activity of the company is in the field of development and construction of renewable energy systems and associated engineering projects.

### Directors and their interests

The directors who served during the period and their interests in the company are as stated below:

		Ordinary shares	
		31/12/02	01/02/02
		or date of appointment	
Richard William Yemm		241,000	241
Michael Davies	Resigned 18/3/02	10,000	10
Max Carcas		3,000	3
David Lindley	Appointed 16/5/02	-	-
Richard Erskine	Appointed 18/3/02	-	-
Marco Fabbri	Appointed 18/3/02	-	-
Gianni Operto	Appointed 18/3/02, Resigned 20/8/02	-	-
Bruno Derungs	Appointed 20/8/02	-	-

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

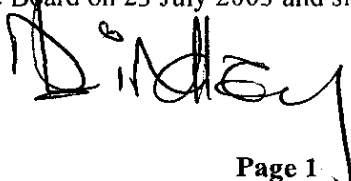
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 23 July 2003 and signed on its behalf by

David Lindley, Chairman



## **OCEAN POWER DELIVERY LIMITED**

### **Independent auditors' report to the shareholders of OCEAN POWER DELIVERY LIMITED**

We have audited the financial statements of OCEAN POWER DELIVERY LIMITED for the period ended 31 December 2002 set out on pages 4 to 11. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) under the historical cost convention and the accounting policies set out on page 6.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**OCEAN POWER DELIVERY LIMITED**

**Independent auditors' report to the shareholders of OCEAN POWER DELIVERY LIMITED continued**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Scott Moncrieff*

**Scott Moncrieff  
Chartered Accountants  
Registered Auditors**

**17 Melville Street  
Edinburgh  
EH3 7PH**

*23 July 2003*

# OCEAN POWER DELIVERY LIMITED

## Profit and loss account for the 11 months ended 31 December 2002

		11 Months to 31 Dec 2002	12 Months to 31 Jan 2002
	Notes	£	£
<b>Turnover</b>	<b>2</b>	12,167	50,774
Cost of sales		-	(961)
<b>Gross profit</b>		12,167	49,813
Administrative expenses		(678,316)	(469,802)
Other operating income		81,651	159,780
<b>Operating loss</b>	<b>3</b>	(584,498)	(260,209)
Other interest receivable and similar income		14,078	-
Interest payable and similar charges		(592)	-
<b>Loss on ordinary activities before taxation</b>		(571,012)	(260,209)
Tax on loss on ordinary activities	<b>5</b>	-	-
<b>Loss on ordinary activities after taxation</b>		(571,012)	(260,209)
Accumulated loss brought forward		(328,097)	(67,888)
<b>Accumulated loss carried forward</b>		(899,109)	(328,097)

There are no recognised gains or losses other than the profit or loss for the above two financial periods.

The notes on pages 6 to 12 form an integral part of these financial statements.

# OCEAN POWER DELIVERY LIMITED

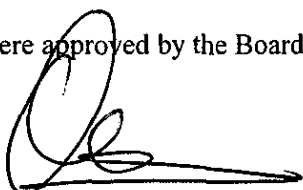
## Balance sheet as at 31 December 2002

		31 December 2002		31 January 2002	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	6		669,659		28,161
Tangible assets	7		319,004		17,240
			<u>988,663</u>		<u>45,401</u>
<b>Current assets</b>					
Debtors	8	177,590		44,768	
Cash at bank and in hand		328,844		10,119	
		<u>506,434</u>		<u>54,887</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(222,727)</u>		<u>(206,435)</u>	
<b>Net current assets/(liabilities)</b>			<u>283,707</u>		<u>(151,548)</u>
<b>Total assets less current liabilities</b>			1,272,370		(106,147)
<b>Deferred government grants</b>	10		<u>(367,283)</u>		<u>-</u>
<b>Net assets/(liabilities)</b>			<u>905,087</u>		<u>(106,147)</u>
<b>Capital and reserves</b>					
Called up share capital	11		164,334		123
Share premium account	12		1,639,862		221,827
Profit and loss account	12		<u>(899,109)</u>		<u>(328,097)</u>
<b>Shareholders' funds</b>			<u>905,087</u>		<u>(106,147)</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 23 July 2003 and signed on its behalf by

Richard William Yemm  
Director



The notes on pages 6 to 12 form an integral part of these financial statements.



# OCEAN POWER DELIVERY LIMITED

## Notes to the financial statements for the 11 months ended 31 December 2002

### 1. Accounting policies

#### 1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the *Financial Reporting Standard for Smaller Entities (effective June 2002)*.

#### 1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

#### 1.3. Patents

Patents are valued at cost less accumulated amortisation.

Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life of 20 years.

#### 1.4. Research and development

Research expenditure prior to 31st January 2002 has been written off. The directors consider that it is now appropriate to capitalise this expenditure. Development expenditure so capitalised will be amortised in future years against income received.

#### 1.5. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Plant and machinery	-	25% Reducing Balance
Fixtures, fittings and equipment	-	25% Reducing Balance
Motor vehicles	-	25% Reducing Balance

#### 1.6. Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.7. Deferred taxation

The company adopted Financial Reporting Standard 19 "Deferred Taxation" (FRS 19) during the financial period.

Full provision is made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date.

Prior to the adoption of FRS 19, the company provided for deferred taxation only to the extent that timing differences were expected to materialise in the foreseeable future. The adoption of the new policy has been made by way of a prior year adjustment as though the revised policy had always been applied.

# OCEAN POWER DELIVERY LIMITED

## Notes to the financial statements for the 11 months ended 31 December 2002

..... continued

### 1.8. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

### 1.9. Government grants

Government grants in respect of capital expenditure are credited to the profit and loss account over the estimated useful life of the relevant fixed assets. Government grants relating to capitalised research and development expenditure are credited to the profit and loss account against the release of the associated expenditure. The grants shown in the balance sheet represent the total grants receivable to date less the amount so far credited to the profit and loss account.

Grants of a revenue nature are credited to the profit and loss account in the period in which they accrue.

### 2. Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the UK.

### 3. Operating loss

	31 Dec 2002 £	31 Jan 2002 £
Operating loss is stated after charging:		
Depreciation and other amounts written off intangible assets	1,997	1,482
Depreciation and other amounts written off tangible assets	95,551	6,696
Loss on disposal of tangible fixed assets	164	-
Auditors' remuneration	2,600	-
	<u>          </u>	<u>          </u>
and after crediting:		
Government grants released	17,651	6,332
Government grants received	64,000	153,448
	<u>          </u>	<u>          </u>

### 4. Directors' emoluments

	31 Dec 2002 £	31 Jan 2002 £
Remuneration and other benefits	<u>136,838</u>	<u>70,710</u>

# OCEAN POWER DELIVERY LIMITED

## Notes to the financial statements for the 11 months ended 31 December 2002

..... continued

### 5. Tax on loss on ordinary activities

As a result of the loss sustained there is no liability to corporation tax in the year. The tax charge in future will be reduced by the tax losses brought forward.

### 6. Intangible fixed assets

	Patents £	Develop- ment costs £	Total £
<b>Cost</b>			
At 1 February 2002	29,643	-	29,643
Additions	10,308	633,187	643,495
At 31 December 2002	<u>39,951</u>	<u>633,187</u>	<u>673,138</u>
<b>Provision for diminution in value</b>			
At 1 February 2002	1,482	-	1,482
Charge for period	1,997	-	1,997
At 31 December 2002	<u>3,479</u>	<u>-</u>	<u>3,479</u>
<b>Net book values</b>			
At 31 December 2002	<u>36,472</u>	<u>633,187</u>	<u>669,659</u>
At 31 January 2002	<u>28,161</u>	<u>-</u>	<u>28,161</u>

# OCEAN POWER DELIVERY LIMITED

## Notes to the financial statements for the 11 months ended 31 December 2002

..... continued

7. Tangible fixed assets	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 February 2002	15,722	6,045	6,500	28,267
Additions	350,049	51,430	-	401,479
Disposals	-	-	(6,500)	(6,500)
At 31 December 2002	<u>365,771</u>	<u>57,475</u>	<u>-</u>	<u>423,246</u>
<b>Depreciation</b>				
At 1 February 2002	7,179	2,223	1,625	11,027
On disposals	-	-	(2,336)	(2,336)
Charge for the period	82,178	12,662	711	95,551
At 31 December 2002	<u>89,357</u>	<u>14,885</u>	<u>-</u>	<u>104,242</u>
<b>Net book values</b>				
At 31 December 2002	<u>276,414</u>	<u>42,590</u>	<u>-</u>	<u>319,004</u>
At 31 January 2002	<u>8,543</u>	<u>3,822</u>	<u>4,875</u>	<u>17,240</u>

8. Debtors	31 Dec 2002 £	31 Jan 2002 £
Other debtors	175,190	13,240
Prepayments and accrued income	2,400	31,528
	<u>177,590</u>	<u>44,768</u>

# OCEAN POWER DELIVERY LIMITED

## Notes to the financial statements for the 11 months ended 31 December 2002

..... continued

9. Creditors: amounts falling due within one year	31 Dec 2002 £	31 Jan 2002 £
Other loans	-	21,393
Trade creditors	177,400	104,117
Other taxes and social security costs	20,525	32,289
Directors' accounts	-	13,384
Other creditors	-	30,694
Accruals and deferred income	24,802	4,558
	<u>222,727</u>	<u>206,435</u>
10. Government grants	31 Dec 2002 £	31 Jan 2002 £
Government grants		
At 1 February 2002	-	6,332
Increase in period	384,934	-
	<u>384,934</u>	<u>6,332</u>
Released in period	(17,651)	(6,332)
At 31 December 2002	<u>367,283</u>	<u>-</u>

# OCEAN POWER DELIVERY LIMITED

## Notes to the financial statements for the 11 months ended 31 December 2002

..... continued

11. Share capital	31 Dec 2002 £	31 Jan 2002 £
<b>Authorised</b>		
500,000 Ordinary shares of 25 pence each	125,000	250
500,000 Ordinary "A" shares of 25 pence each	125,000	-
	<u>250,000</u>	<u>250</u>
<b>Allotted, called up and fully paid</b>		
493,000 Ordinary shares of 25 pence each	123,250	123
164,336 Ordinary "A" shares of 25 pence each	41,084	-
	<u>164,334</u>	<u>123</u>

On 18th March 2002 the company made a bonus issue of 999 Ordinary Shares of 25p each for each such share held at that date. In addition a further 164,334 "A" Ordinary Shares of 25p each were issued on 18th March 2002 for a consideration of £1,699,214.

The Ordinary "A" shares may be redeemed, at the option of the holder, at any time following the fifth anniversary of the date of adoption of the company's Articles of Association. The earliest date of redemption is 18 June 2007. The option to redeem does not expire. A premium of 20% is payable upon redemption.

12. Reserves	Share premium account £	Profit and loss account £	Total £
<b>At 1 February 2002</b>	221,827	(328,097)	(106,270)
Premium on issue of shares	1,418,035	-	1,418,035
Loss for the period	-	(571,012)	(571,012)
<b>At 31 December 2002</b>	<u>1,639,862</u>	<u>(899,109)</u>	<u>740,753</u>

# OCEAN POWER DELIVERY LIMITED

## Notes to the financial statements for the 11 months ended 31 December 2002

..... continued

### 13. Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	31 Dec 2002 £	31 Jan 2002 £
Expiry date:		
Land & buildings - Within one year	10,000	-
Other - In two to five years	2,996	-
	<u>12,996</u>	<u>-</u>

### 14. Related party transactions

One of the directors Dr Richard Yemm provided technical advice to the company during the year to 31st January 2002 at the cost of £20,000. No such services were provided during the 11 months to 31st December 2002.

### 15. Going concern

The directors have prepared these accounts on a going concern basis. During the period the company continued development of its technology and made a loss of £571,012.

However as noted in the January 2002 Financial Statements the company is anticipating further inward investment during the year to 31st December 2003 of £4.3m. The first tranche of £2m has been received prior to the issue of these accounts and the next tranche of £2.3m is expected before 31st December 2003.

In addition to this the company has recently been approved for a further Department of Trade and Industry Grant of up to £1.6m.

In these circumstances the directors consider that it is appropriate to prepare these financial statements on a going concern basis.