

Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2011
for
Hammerfest Strom UK Limited



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for the Year Ended 31 December 2011

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Hammerfest Strom UK Limited

Company Information
for the Year Ended 31 December 2011

DIRECTORS:

J E Holst
S A Andersen
S G Christian
M Schoeberl
H Heber
B Bekken

SECRETARY:

S A Andersen

REGISTERED OFFICE:

Hillington Innovation Centre
1 Ainslie Road
Hillington Industrial Estate
Glasgow
G52 4RU

REGISTERED NUMBER:

SC338485 (Scotland)

AUDITORS:

BAKER TILLY UK AUDIT LLP Statutory Auditors
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Report of the Directors
for the Year Ended 31 December 2011

The directors present their report with the financial statements of the company for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the design and manufacture of tidal powered turbines.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2011 to the date of this report.

J E Holst
S A Andersen
S G Christian
M Schoeberl
H Heber

Other changes in directors holding office are as follows:

E A Naess - resigned 14 October 2011
K M Aanstad - resigned 3 May 2011
B Bekken - appointed 3 May 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 2006.

Hammerfest Stroom UK Limited (Registered number: SC338485)

Report of the Directors
for the Year Ended 31 December 2011

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, consisting of a stylized 'S' followed by a large loop and a horizontal line.

S A Andersen - Director

Date: 26/04/2012

Report of the Independent Auditors to the Members of
Hammerfest Strom UK Limited

We have audited the financial statements of Hammerfest Strom UK Limited for the year ended 31 December 2011 on pages five to ten. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and 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 explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Report of the Directors.


Alan Atchison (Senior Statutory Auditor)
for and on behalf of BAKER TILLY UK AUDIT LLP Statutory Auditors
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Date: 23/05/12

Hammerfest Strom UK Limited (Registered number: SC338485)

Profit and Loss Account
for the Year Ended 31 December 2011

	Notes	31.12.11 £	31.12.10 £
TURNOVER		-	-
Cost of sales		(87,613)	-
GROSS LOSS		(87,613)	-
Distribution costs		(2,069)	-
Administrative expenses		(106,607)	(561,290)
OPERATING LOSS	2	(196,289)	(561,290)
Interest receivable and similar income		21,818	721
		(174,471)	(560,569)
Interest payable and similar charges	3	(567,739)	(204,408)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(742,210)	(764,977)
Tax on loss on ordinary activities	4	-	-
LOSS FOR THE FINANCIAL YEAR		<u>(742,210)</u>	<u>(764,977)</u>

The notes form part of these financial statements

Hammerfest Strom UK Limited (Registered number: SC338485)

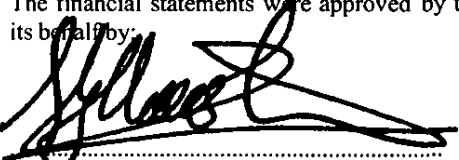
Balance Sheet

31 December 2011

	Notes	31.12.11 £	31.12.10 £
FIXED ASSETS			
Intangible assets	5	6,369,067	4,606,690
Tangible assets	6	12,544,591	1,375,159
		<u>18,913,658</u>	<u>5,981,849</u>
CURRENT ASSETS			
Debtors	7	508,588	160,062
Cash at bank and in hand		1,297,330	2,809,765
		<u>1,805,918</u>	<u>2,969,827</u>
CREDITORS			
Amounts falling due within one year	8	(2,978,267)	(689,241)
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,172,349)</u>	<u>2,280,586</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,741,309	8,262,435
CREDITORS			
Amounts falling due after more than one year	9	(15,179,485)	(8,274,112)
ACCRUALS AND DEFERRED INCOME	10	(4,786,334)	(1,470,625)
NET LIABILITIES		<u>(2,224,510)</u>	<u>(1,482,302)</u>
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Profit and loss account	12	(2,224,511)	(1,482,303)
SHAREHOLDERS' FUNDS		<u>(2,224,510)</u>	<u>(1,482,302)</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 26/04/2012 and were signed on its behalf by:



S G Christian - Director



S A Andersen - Director

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 December 2011

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Intangible Assets

Expenditure on research and development is capitalised where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and will be amortised only when commercial production begins.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	-	30% on reducing balance
Fixtures and fittings	-	25% on reducing balance

No depreciation has been charged in respect of assets in the course of construction.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating profit.

Pension costs and other post-retirement benefits

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

Capital grants

Funds received from grants in respect of capital expenditure are recorded as deferred income in other creditors. This balance is credited to the profit and loss account by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Going concern

The company continues to develop technology and is not yet revenue generative. As such, it remains reliant upon the continued support of its parent company to continue as a going concern. The parent company has recently raised significant new funds and has indicated its willingness to continue to support the company for the foreseeable future. On this basis, the Directors consider it appropriate to prepare the accounts on a going concern basis.

2. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	31.12.11	31.12.10
	£	£
Depreciation - owned assets	17,428	9,128
Foreign exchange differences	(266,510)	302,619
Pension costs	12,446	7,515
Audit fees	8,780	7,280
	<u> </u>	<u> </u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2011

2. **OPERATING LOSS - continued**

Directors' remuneration and other benefits etc	-	-
	<u> </u>	<u> </u>

3. **INTEREST PAYABLE AND SIMILAR CHARGES**

Interest payable and similar charges includes the following:

	31.12.11	31.12.10
	£	£
Bank interest	407	-
Loan interest	567,332	204,408
	<u>567,739</u>	<u>204,408</u>

4. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2011 nor for the year ended 31 December 2010.

5. **INTANGIBLE FIXED ASSETS**

	Research and development £
COST	
At 1 January 2011	4,606,690
Additions	1,762,377
At 31 December 2011	<u>6,369,067</u>
NET BOOK VALUE	
At 31 December 2011	<u>6,369,067</u>
At 31 December 2010	<u>4,606,690</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2011

6. TANGIBLE FIXED ASSETS

	Plant & machinery under construction £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2011	1,353,862	-	36,849	1,390,711
Additions	11,125,756	1,604	59,500	11,186,860
At 31 December 2011	12,479,618	1,604	96,349	12,577,571
DEPRECIATION				
At 1 January 2011	-	-	15,552	15,552
Charge for year	-	228	17,200	17,428
At 31 December 2011	-	228	32,752	32,980
NET BOOK VALUE				
At 31 December 2011	12,479,618	1,376	63,597	12,544,591
At 31 December 2010	1,353,862	-	21,297	1,375,159

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.11 £	31.12.10 £
Amounts owed by group undertakings	25,058	-
Other debtors	6,955	2,021
VAT	317,015	145,282
Prepayments	159,560	12,759
	<u>508,588</u>	<u>160,062</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.11 £	31.12.10 £
Trade creditors	800,800	562,304
Amounts owed to group undertakings	-	10,381
Social security and other taxes	25,029	9,455
Other creditors	14,863	379
Accrued expenses	2,137,575	106,722
	<u>2,978,267</u>	<u>689,241</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.2011 £	31.12.2010 £
Amounts owed to group undertakings	<u>15,179,485</u>	<u>8,275,112</u>

Interest is payable on loans from the parent undertaking and is calculated using the NIBOR rate plus 1.5%.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2011

10. ACCRUALS AND DEFERRED INCOME

	31.12.11	31.12.10
	£	£
Deferred grant income	<u>4,786,334</u>	<u>1,470,625</u>

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			31.12.11	31.12.10
Number:	Class:	Nominal value:	£	£
1	Ordinary	£1	<u>1</u>	<u>1</u>

12. RESERVES

	Profit and loss account £
At 1 January 2011	(1,482,301)
Deficit for the year	<u>(742,210)</u>
At 31 December 2011	<u>(2,224,511)</u>

13. ULTIMATE PARENT COMPANY

The entire share capital of the company is owned by Hammerfest Strom AS which is registered in Norway.

14. CAPITAL COMMITMENTS

	31.12.11	31.12.10
	£	£
Contracted but not provided for in the financial statements	<u>-</u>	<u>5,813,315</u>

15. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption granted by Financial Reporting Standard for Smaller Entities (effective April 2008) not to disclose transactions with other group companies. The company has had no other related party transactions during the period.