

Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2018
for
Andritz Hydro Hammerfest (UK) Limited

**COMPANIES HOUSE
EDINBURGH**

30 SEP 2019

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**Andritz Hydro Hammerfest (UK) Limited (Registered number:
SC338485)**

**Contents of the Financial Statements
for the Year Ended 31 December 2018**

	Page
Company Information	1
Report of the Directors	2
Independent Auditors' Report	4
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9
Trading and Profit and Loss Account	18

Andritz Hydro Hammerfest (UK) Limited

Company Information
for the Year Ended 31 December 2018

DIRECTORS:

M Schoeberl
H Heber
M Schneeberger
G Kriegler

REGISTERED OFFICE:

Spaces, Tay House
300 Bath Street
2nd Floor, office 45
Glasgow
G2 4JR

REGISTERED NUMBER:

SC338485 (Scotland)

AUDITORS:

KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

SOLICITORS:

Shepherd + Wedderburn
5th Floor, 1 Exchange Crescent
Conference Square
Edinburgh
EH13 8UL

Andritz Hydro Hammerfest (UK) Limited (Registered number: SC338485)
Report of the Directors for the Year Ended 31 December 2018

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

Principal Activity and Review of Business

The principle activity of the company is the design of tidal powered turbines. The company successfully designed and tested the AH1000 turbine and three turbines of the successor Model MK1 (with an increased capacity of 1.5W) were delivered to the demonstration phase of the MeyGen projects in the Pentland Firth.

The experience from the development of the AH1000 turbine constitutes the basis of the current development of commercial devices with increased capacity (MK1 model) and the next generation of tidal turbines is being developed by fellow group companies. As the original AH1000 MK1 turbines are no longer being marketed the directors concluded that the intangible asset should be fully impaired.

The company's employees continue to support the group's development of tidal turbines and that the costs of these employees, the office accommodation in the UK, other overheads and interest payments are funded by cash advances provided by the company's parent company, and the company is now not expected to be cash generative.

The company is reliant upon the continued support of its parent company to provide ongoing funding and not to seek repayment of the balances already advanced. The parent company has confirmed its willingness to support the company for the foreseeable future being a period of not less than 12 months from the date of signing the financial statements and therefore the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

The current capital structure of the company, with significant intercompany balances due to fellow group companies, is such that there is no realistic prospect that these balances will be repaid and as noted in note 1 to the financial statements this means that there is material uncertainty in relation to going concern.

Directors

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

M Schoeberl
H Heber
M Schneeberger
G Krieglner

Statement of Directors Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Statement as to Disclosure of the Information to Auditor

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

KPMG LLP were appointed as auditors

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

ON BEHALF OF THE BOARD:



G Kriegler - Director

Date: 30 September 2019

Independent Auditor's Report to the Members of Andritz Hydro Hammerfest (UK) Limited

Opinion

We have audited the financial statements of Andritz Hydro Hammerfest (UK) Limited ("the company") for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matter

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as carrying value of stocks and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the company's ability to continue as a going concern is dependent on the continued support of its ultimate parent undertaking, and in particular the non-withdrawal of amounts currently due. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information, which comprises the information in the Report of the Directors. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the other information for the financial year is consistent with the financial statements; and
- in our opinion those reports been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of Andritz Hydro Hammerfest (UK) Limited (Continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

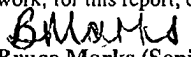
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.


Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Vincent Plaza
319 St Vincent Street
Glasgow
G2 5AS

30 September 2019

Andritz Hydro Hammerfest (UK) Limited (Registered number: SC338485)

Statement of Comprehensive Income
for the Year Ended 31 December 2018

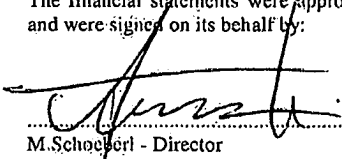
	Notes	2018 £	2017 £
TURNOVER		774,627	1,796,507
Cost of sales		<u>(1,196,128)</u>	<u>(4,964,966)</u>
GROSS LOSS		(421,501)	(3,168,459)
Administrative expenses		<u>(366,261)</u>	<u>(4,618,128)</u>
		(787,762)	(7,786,587)
Other operating income		<u>-</u>	<u>1,726,997</u>
OPERATING LOSS	5	(787,762)	(6,059,590)
Interest receivable and similar income	7	427	113
Interest payable and similar expenses	8	<u>(105,306)</u>	<u>(254,885)</u>
LOSS BEFORE TAXATION		(892,641)	(6,314,362)
Tax on loss	9	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		(892,641)	(6,314,362)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(892,641)</u>	<u>(6,314,362)</u>

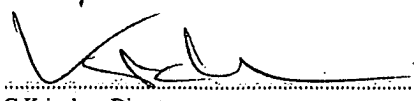
Andritz Hydro Hammerfest (UK) Limited (Registered number: SC338485)

Statement of Financial Position
31 December 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Intangible assets	10		
Tangible assets	11	<u>1,013</u>	<u>2,118</u>
		<u>1,013</u>	<u>2,118</u>
CURRENT ASSETS			
Debtors	12	772,414	2,260,241
Cash at bank and in hand		<u>168,723</u>	<u>281,745</u>
		941,137	2,541,986
CREDITORS			
Amounts falling due within one year	13	<u>(9,225,132)</u>	<u>(9,794,657)</u>
NET CURRENT LIABILITIES		<u>(8,283,995)</u>	<u>(7,252,671)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(8,282,982)	(7,250,553)
CREDITORS			
Amounts falling due after more than one year	14	-	(57,599)
PROVISIONS FOR LIABILITIES	16	-	(82,189)
NET LIABILITIES		<u>(8,282,982)</u>	<u>(7,390,341)</u>
CAPITAL AND RESERVES			
Called up share capital	17	23,877,819	23,877,819
Retained earnings	18	<u>(32,160,801)</u>	<u>(31,268,160)</u>
SHAREHOLDERS' FUNDS		<u>(8,282,982)</u>	<u>(7,390,341)</u>

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


.....
M. Schoeberl - Director


.....
G. Kriegler - Director

The notes form part of these financial statements

Andritz Hydro Hammerfest (UK) Limited (Registered number: SC338485)

Statement of Changes in Equity
for the Year Ended 31 December 2018

	Called up Share Capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	23,877,819	(24,953,798)	(1,075,979)
Changes in equity			
Total comprehensive income	-	(6,314,362)	(6,314,262)
Balance at 31 December 2017	23,877,819	(31,268,160)	(7,390,341)
Changes in equity			
Total comprehensive income	-	(892,641)	(892,641)
Balance at 31 December 2018	23,877,819	(32,160,801)	(8,282,982)

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 December 2018

1. STATUTORY INFORMATION

Andritz Hydro Hammerfest (UK) Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Andritz Hydro Hammerfest (UK) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principle activity are set out in the report of the Directors.

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

The financial statements have been prepared under the historic costs convention. The present currency is £ sterling because that is the currency of the primary economic environment that the company operates.

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding, the loss for the year to 31 December 2018 of £892,641 (2017: £6,314,362) and the net liabilities of £8,282,982 (2017: £7,390,341), which the directors believe to be appropriate for the following reasons. The company is dependent on the financial support provided by its controlling parent undertaking, Andritz AG (the parent) including an inter-company loan which had an outstanding balance of £8,678,704 at the year end. The parent has indicated its intention to continue to provide financial and other support of the company, and that it does not intend to seek repayments of the amounts due for at least the next twelve months from the date of approval of these financial statements.

As more fully explained in the Report of the Directors, the company is now contributing to the development of the wider group's tidal turbine technology and has ceased the development of its technology. The market for tidal turbines is in an early stage with uncertainties and investors are waiting to see how the existing turbines perform over a longer period of time. Therefore the company now delivers services to the wider group to support those development activities and the company's revenue is forecast to be intra-group for the foreseeable future. In the future the company will also act as an internal service provider for the group.

The directors consider that parent company support should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have no reason to believe that it will not do so. Based on these indications, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

The directors note that following changes to the company's operations, its likely capital structure of the company, with significant intercompany balances due to fellow group companies that are unlikely to be repayable from preparing cashflows, is not appropriate in the long term.

The continued availability of support from its ultimate parent undertaking, and in particular the non- withdrawal of amounts currently due, represents a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

2. ACCOUNTING POLICIES - continued

Intangible assets - research and development

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. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. 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	25% - 33% straight line
Fixtures and fittings	20% straight line

Decommissioning obligation

The company has deployed its fixed assets at a third party test facility. The company has a contractual obligation to remove the assets at the end of the test period. The estimated costs of decommissioning are included in the cost of fixed assets.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the asset.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flow from the financial assets expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Taxation

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

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

2. **ACCOUNTING POLICIES - continued**

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 recognised in the profit and loss in the period in which they arise.

Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the term of the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pension costs and other post-retirement benefits

The company operates a defined contribution scheme. The company recognises a cost equal to their contribution payable for the period in their profit or loss. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the balance sheet.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provision for liabilities

The company recognises a provision when there are unavoidable costs of performing its obligations.

Impairment of intangible assets

The company judges the value of its intangible assets on a yearly basis. Should this impairment test reveal that the book value of the intangible assets is excessive impairment is carried out to align the book value and impairment test value of the intangible assets.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

3. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	382,526	454,222
Social security costs	39,578	47,783
Other pension costs	18,761	18,884
	<u>440,865</u>	<u>520,889</u>

The average monthly number of employees during the year was as follows:

	2018	2017
Project management	1	1
Engineering	5	6
Administration	<u>2</u>	<u>3</u>
	<u>8</u>	<u>10</u>

Andritz Hydro Hammerfest (UK) Limited operates a defined contribution scheme. The pension cost represents contributions payable by the company and amounted to £18,761, (2017: £18,884). Contributions totalling £-3211, (2017: £-1250) were payable to the fund at the year end and are included in creditors falling due within one year.

4. DIRECTORS' EMOLUMENTS

	2018	2017
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

None of the Directors of Andritz Hydro Hammerfest UK Limited received any remuneration from the company in the years ended 31 December 2018 and 31 December 2017.

5. OPERATING LOSS

The operating loss is stated after charging:

	2018	2017
	£	£
Hire of plant and machinery	20,565	8,921
Other operating losses	-	92,214
Depreciation - owned assets	1,105	2,015
	<u>-</u>	<u>-</u>

6. AUDITORS' REMUNERATION

	2018	2017
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	<u>6,900</u>	<u>12,200</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£	£
Deposit account interest	<u>427</u>	<u>113</u>

Andritz Hydro Hammerfest (UK) Limited (Registered number: SC338485)

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	£	£
Intercompany loan interest	106,961	243,713
Foreign exchange loss	(1,655)	11,172
	<u>105,306</u>	<u>254,885</u>

9. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 December 2018 nor for the year ended 31 December 2017:

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018	2017
	£	£
Loss before tax	<u>(892,641)</u>	<u>(6,314,362)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19%	(169,602)	(1,199,729)
Effects of:		
Corporation tax rate change		(15,569)
of depreciation		
differences		
Unutilised tax losses carried forward	169,602	1,215,298
	<u>169,602</u>	<u>1,215,298</u>
Total tax charge	<u>169,602</u>	<u>1,215,298</u>

Following budget 2016 announcements, the rate will reduce to 18% from 1 April 2020.

A deferred tax asset amounting to £5,572,799 (2017: £4,912,894) was not recognised as there was insufficient certainty of profits being generated against which they could be recovered.

10. INTANGIBLE FIXED ASSETS

	Research and Development £
COST	
At 1 January 2018	<u>16,276,001</u>
and 31 December 2018	
AMORTISATION	
At 1 January 2018	
and 31 December 2018	16,276,001
NET BOOK VALUE	
At 31 December 2018	<u>0</u>
At 31 December 2017	<u>0</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

10. INTANGIBLE FIXED ASSETS - continued

The expense on plant and machinery used in the development of technology related to the manufacture of tidal powered turbines was capitalised in accordance with Accounting for Research and Development requirements of FRS102.

11. TANGIBLE FIXED ASSETS

	Plant & Machinery under Construction £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2018	14,856,618	1,604	128,896	14,987,118
Disposal	-	-	(44,642)	(44,642)
At 31 Dec 2018	14,856,618	1,604	84,254	14,942,476
DEPRECIATION				
At 1 January 2018	14,856,618	1,604	126,778	14,985,000
Disposals	-	-	(44,642)	(44,642)
Charge for year	-	-	1,105	1,105
At 31 December 2018	14,856,618	1,604	83,241	14,941,463
NET BOOK VALUE				
At 31 December 2018	-	-	1,013	1,013
At 31 December 2017	-	-	2,118	2,118

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Other debtors	428,047	2,247,448
VAT	21,173	-
Trade Debtors	302,633	-
Prepayments	20,561	12,793
	<u>772,414</u>	<u>2,260,241</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2017 £
Trade creditors	312,793	119,727
Amounts owed to group undertakings	8,678,704	9,091,679
Social security and other taxes	11,913	10,722
VAT	-	264,274
Other creditors	195,258	288,691
Accrued expenses	26,464	19,564
	<u>9,225,132</u>	<u>9,794,657</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

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

	2018	2017
	£	£
Amounts owed to group undertakings	-	-
Deferred grant income	-	-
Accruals	-	57,599
Advanced payments	-	-
	<u>-</u>	<u>57,599</u>
	<u>-</u>	<u>57,599</u>
Analysis of amounts due to group undertakings:	2018	2017
	£	£
Between one and two years	-	-
Between two and five years	-	-
After five years	-	-
	<u>-</u>	<u>-</u>
On demand or within one year	<u>8,678,704</u>	<u>9,091,679</u>
	<u>8,678,704</u>	<u>9,091,679</u>

The deferred grant income is released in line with the amortisation/impairment policy of the intangible asset.

15. PROVISIONS FOR LIABILITIES

	2018	2017
	£	£
Other provisions	-	-
Decommissioning provision	-	-
Other provisions	<u>-</u>	<u>82,189</u>
	<u>-</u>	<u>82,189</u>
		Provisions
		£
Balance at 1 January 2018		82,189
Utilised during the year		(82,189)
		<u>-</u>
Balance at 31 December 2018		<u>-</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

16. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	2018	2017
Number:	Class:		£	£
23,877,819	Ordinary	£1	<u>23,877,819</u>	<u>23,877,819</u>

17. **RESERVES**

	Retained earnings £
At 1 January 2018	(31,268,160)
Deficit for the year	<u>(892,641)</u>
At 31 December 2018	<u>(32,160,801)</u>

18. **ULTIMATE PARENT COMPANY**

The immediate parent company is Andritz Hydro Hammerfest Strom AS, a company registered in Norway (registered office at c/o Hammerfest Energi AS, Rossmollgata 50, 9601 Hammerfest; registration number 979 152 256) and the smallest group in which the results of this company are consolidated. The consolidated financial statements are prepared in Norway. Andritz GmbH is the largest group in which the results of the company are consolidated. The Andritz GmbH consolidated financial statements are prepared in Austria and are available at <http://www.andritz.com>.

Andritz Hydro Hammerfest (UK) Limited (Registered number: SC338485)

Trading and Profit and Loss Account
for the Year Ended 31 December 2018

	2018		2017	
	£	£	£	£
Sales		774,627		1,796,507
Cost of sales				
Subcontracting engineering	270,331		346,045	
Wages	382,526		454,222	
Emec Project costs	45,033		231,630	
AHH UK Project costs	90,362		(40,789)	
MeyGen Project costs	425,897		3,918,364	
PAYE/NI	39,578		47,783	
Warranty costs	(57,599)		7,711	
		<u>1,196,128</u>		<u>4,964,966</u>
GROSS LOSS		(421,501)		(3,168,459)
Other income				
Sundry receipts	-		520,000	
Grant release	-		1,206,997	
Deposit account interest	<u>427</u>		<u>113</u>	
		<u>427</u>		<u>1,727,110</u>
		(421,074)		(1,441,349)
Expenditure				
Rent	65,594		92,214	
Insurance	23,579		24,856	
Pensions	18,761		18,884	
Hire of plant and machinery	20,565		8,921	
Telephone	4,530		6,070	
Post and stationery	908		1,713	
Travelling	48,518		67,768	
IT and computer costs	59,689		25,007	
Sundry expenses	25,567		33,957	
Accountancy	12,547		10,352	
Training costs	2,522		875	
Consultancy fees	40,823		23,204	
Legal fees	32,717		21,205	
Auditors' remuneration	6,900		12,200	
Amortisation of intangible fixed assets	-		-	
Development costs	-		4,266,758	
Depreciation of tangible fixed assets	-		-	
Computer equipment	<u>1,105</u>		<u>2,015</u>	
		<u>364,325</u>		<u>4,615,999</u>
		(785,399)		(6,057,348)
Finance costs				
Bank charges	1,936		2,129	
Intercompany loan interest	106,961		243,713	
Foreign exchange loss	<u>(1,655)</u>		<u>11,172</u>	
		<u>107,242</u>		<u>257,014</u>
NET LOSS		<u>(892,641)</u>		<u>(6,314,362)</u>

This page does not form part of the statutory financial statements