

Registered No. SC520983

Islay Holdings Limited

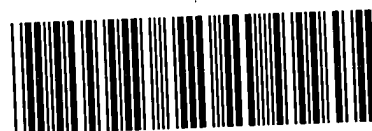
**Annual Report and Financial Statements
31 December 2018**

**COMPANIES HOUSE
EDINBURGH**

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COMPANIES HOUSE

Islay Holdings Limited

Officers and professional advisers

Directors

Timothy Cornelius
Andrew Dagley

Secretary

Link Company Matters Limited

Registered office

Fourth Floor Edinburgh Quay 2
139 Fountainbridge
Edinburgh
United Kingdom
EH3 9QG

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Islay Holdings Limited

Directors' report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2018.

Principal activities

The principal activities of the Company in the period under review are those of a holding company. The principal activity of the subsidiary is disclosed in Note 7 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend for the year (2017: £nil).

Directors

The directors who served the Company during the period are shown on page 1.

Directors' indemnities

The Company has not made qualifying third party indemnity provisions for the benefit of its directors.

Key risks and uncertainties

The tidal industry has now progressed into a critical phase in its development with the imminent deployment of multiple turbines in small arrays. The success of these early deployments is central to the continued success of the industry, and in particular on its ability to attract future investment.

Results for the period

The results of the Company for the period are set out on page 7 and show a result for the period, net of taxation, of £nil (2017: £nil).

Future Developments

The Company will continue to pursue tidal current power projects with a view to progressing these opportunities through to commercial operation.

Going concern

The financial statements have been prepared on a going concern basis, despite the result for the year, as a letter of support from the ultimate parent company, stating they will supply the company with financial and other support, has been provided for a period of twelve months from the date of signing the financial statements.

Islay Holdings Limited

Directors' report

Disclosure of information to auditor

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

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors 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 the Company's auditor is aware of that information.

Auditor

Following a Group tender for audit services KPMG LLP will resign as auditor following completion of their audit services for the company. In accordance with Section 489 of the Companies Act 2006, the Group's Audit Committee confirmed that Ernst and Young LLP will be appointed External Auditor for the Group for the year ending 31 December 2019. It is the intention of the directors to appoint Ernst & Young LLP as External Auditor of the Company, following their appointment as External Auditor of the Group.

Approved by the Board and signed on its behalf by:



Timothy Cornelius
Director

13 August 2019

Islay Holdings Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 101 *Reduced Disclosure Framework*.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAY HOLDINGS LIMITED

Opinion

We have audited the financial statements of Islay Holdings Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of comprehensive loss, the Balance Sheet, the Statement of changes in equity and related notes, including the summary of significant accounting policies in note 1.

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 result for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* 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.

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, 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAY HOLDINGS LIMITED (CONTINUED)

of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAY HOLDINGS LIMITED (CONTINUED)

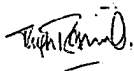
Auditor's responsibilities

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.



Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Saltire Court, 20 Castle Terrace
Edinburgh, United Kingdom
EH1 2EG

16 August 2019

Islay Holdings Limited

Statement of Comprehensive Loss Year ended 31 December 2018

	Notes	2018 £	2017 £
Loss from operating activities before tax	4	-	-
Taxation	6	-	-
Loss for the period		-	-
Other comprehensive loss for the period		-	-
Total comprehensive loss for the period		-	-

The notes on pages 11 to 15 form an integral part of these Financial Statements.

Islay Holdings Limited

Balance Sheet

As at 31 December 2018

Company number: SC520983

	Notes	2018 £	2017 £
Investments	7	38,597	38,597
Total fixed assets		38,597	38,597
Debtors	8	38,597	38,597
Total current assets		38,597	38,597
Trade and other payables	9	(38,597)	(38,597)
Total current liabilities		(38,597)	(38,597)
Net assets		38,597	38,597
Capital and reserves			
Share capital	10	38,597	38,597
Retained earnings		-	-
Total equity		38,597	38,597

The notes on pages 11 to 15 form an integral part of these Financial Statements.

The financial statements were approved by the board of directors and authorised for issue on 13 August 2019 and are signed on their behalf by:



Timothy Cornelius
Director

Islay Holdings Limited

Statement of changes in equity Year ended 31 December 2018

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2017	38,597	-	38,597
Total comprehensive loss for the period ended 31 December 2017	-	-	-
Balance at 31 December 2017	38,597	-	38,597
Total comprehensive loss for the period ended 31 December 2018	-	-	-
Balance at 31 December 2018	38,597	-	38,597

The notes on pages 11 to 15 form an integral part of these Financial Statements.

Islay Holdings Limited

Notes to the financial statements Year ended 31 December 2018

1 General information

Islay Holdings Limited (the “Company”) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1.

The principal activity of the company during the period is to act as a holding company.

These financial statements are presented in pounds sterling (“£”) which is also the currency of the primary economic environment in which the company operates.

The immediate holding company is Tidal Power Scotland Limited, incorporated in United Kingdom, and the ultimate holding company is SIMEC Atlantis Energy Limited, incorporated in Singapore.

2 Going concern

The financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, SIMEC Atlantis Energy Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on SIMEC Atlantis Energy Limited, not seeking repayment of the amounts currently due to the group, which at the 31st December 2018, amounted to £38,597 and providing additional financial support during that period. SIMEC Atlantis Energy Limited has indicated its intention to continue to make available such funds as are needed by the company and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. 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. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

3 Significant accounting policies

3.1 Basis of accounting

The company financial statements have been prepared and approved by the directors in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ and Companies Act 2006.

The financial statements are prepared on the historical cost basis.

The preparation of the financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

The company adopted FRS 101 for the period presented. The accounting policies which follow set out those policies which apply in preparing these financial statements for the year ended 31 December 2018.

Islay Holdings Limited

Notes to the financial statements Year ended 31 December 2018

3.1 Basis of accounting (continued)

The following principles have been applied:

Financial reporting standard 101 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS Presentation of Financial Statements
- the requirement of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by the member.
- The requirements of paragraphs 134(d) -134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reporting amount of income and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Company's accounting policies make use of estimates and judgments in the following areas; carrying value of payables, receivables, and taxation. These are described in more detail in the relevant accounting notes.

Islay Holdings Limited

Notes to the financial statements

Year ended 31 December 2018

3.2 Investments in subsidiaries

Investments are stated at cost less, where appropriate, provisions for impairment. The Company assess investments for impairment whenever events or changes in circumstances indicate that the carrying value of investment may not be recoverable. If the recoverable amount of the underlying assets within an investment is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss.

3.3 Financial instruments

A financial instrument is any contract that give rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The classification depends on the nature and purpose of the financial assets and liabilities which is determined at the time of initial recognition.

The Company's financial liabilities include amounts due to related parties.

The Company's financial assets include amounts due from related parties.

The adoption of IFRS has not had a material impact on the financial statements.

3.4 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

4 Auditor's remuneration

During the year to 31 December 2018, fees payable to the Company's auditor for the audit of the Company's annual accounts were £1,000 (2017: £1,500). This amount was borne by another Group company and was not recharged.

5 Staff costs

During the year ended 31 December 2018, the Company did not have any employees (2017: nil).

Islay Holdings Limited

Notes to the financial statements Year ended 31 December 2018

6 Taxation

	2018 £	2017 £
Current tax:		
UK corporation tax	-	-
	<u>-</u>	<u>-</u>

In the United Kingdom, applicable rate of tax is computed at 19% (2017: 19.25%). The standard rate of UK Corporation tax reduced from 20% to 19% on 1 April 2017. The Finance Act 2016 includes legislation to further reduce the rate from 1 April 2020 to 17%.

7 Investment in subsidiary

Cost:	2018 £	2017 £
Investment in subsidiary	<u>38,597</u>	<u>38,597</u>

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held 2017 and 2018 %
Islay Tidal Power Limited (1)	Development of tidal power generation project	Scotland	100

(1) Registered office: Fourth Floor Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG

8 Debtors

	2018 £	2017 £
Amounts due from parent company	<u>38,597</u>	<u>38,597</u>

Amounts due from the parent company are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Management has no intention to recall this loan in the foreseeable future.

Islay Holdings Limited

Notes to the financial statements Year ended 31 December 2018

9 Trade and other payables

	2018 £	2017 £
Amounts due to subsidiary	<u>(38,597)</u>	<u>(38,597)</u>

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10 Share capital

	Number	£
Allotted, called up and fully paid		
Ordinary Shares of £0.01 each		
At 31 December 2017 and 2018	<u>3,859,703</u>	<u>38,597</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

11 Immediate and ultimate parent undertaking

At 31 December 2018, the immediate parent undertaking is Tidal Power Scotland Limited, incorporated in the United Kingdom.

At 31 December 2018, the Company is a subsidiary undertaking of SIMEC Atlantis Energy Limited, which is the ultimate parent company incorporated in Singapore and registered at 80 Raffles Place, Level 36, Singapore 048624. The Group headed by SIMEC Atlantis Energy Limited is also the largest group in which the results of the Company are consolidated. No other group financial statements include the results of this Company.

The consolidated financial statements of the group are available to the public and may be obtained from the Group's website at www.simecatlantis.com.