

**Lewis Wave Power Limited**

**Directors' report and financial  
statements**

**Registered number SC392898**

**31 March 2014**

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## Company information

Directors	M McAdam R Round
Company number	SC392898
Registered Office	1 George Square Glasgow G2 1AL
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX

## Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 31 March 2014.

### Principal activity

The company's principal activity during the period was the development of sites for renewable generation technologies.

### Principal risks and uncertainties

The principal risks facing the company are inability to obtain consents, cost overruns, failure to complete the project on time and having no off-take for the electricity produced once constructed. To mitigate against these risks, the directors of the company will put in place fixed price contracts for construction of the wave farm and a PPA to sell the electricity generated from the wave farm to a third party once completed. Due to the stage of development of the site the Directors believe that there are no currently applicable KPI's.

### Results and dividends

The company loss after taxation for the financial period amounted to £2,145 (2013: £2,445). No dividends will be distributed for the year ended 31 March 2014 (2013: £nil).

### Directors

The directors who held office during the year and up to date of signing financial statements were:

M McAdam  
R Round

### Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the loss of £2,145 incurred for the financial year and net liabilities of £7,326 at the period end.

The company is dependent on ongoing financial support from its parent company, Aquamarine Power Limited. The parent company has received additional funds subsequent to the year end, however further funds will be required to continue asset development in the parent company. There can be no certainty that the required funding will be agreed and this indicates the existence of a material uncertainty that may cast significant doubt over Aquamarine Power Limited's ability to continue as a going concern, and to financially support the company. This in turn indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. In May 2014 Aquamarine Power Limited raised £3.4m by issue of convertible loan notes to existing shareholders and £3.4m by the issue of series A preference shares to existing shareholders (to be followed by a further issue of convertible loan notes of £0.85m in September subject to certain conditions). On this basis the Directors believe that adequate additional funding will be available in order to enable the group and the company to continue in operation for the foreseeable future as a going concern.

Aquamarine Power Limited, has confirmed that it will provide ongoing financial support to the company to allow it to meet its liabilities as they fall due.

Based upon the undertaking of financial support outlined above, and making appropriate enquiries, the directors of Lewis Wave Power Limited have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing these financial statements.

## **Directors' report** *(continued)*

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 the directors have prepared the company 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 year. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report that, so far as they are each aware, there is no relevant audit information 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 to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be appointed and PricewaterhouseCoopers LLP will therefore continue in office.

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

By order of the board



Richard Round  
*Director*

8 July 2014

# ***Independent auditors' report to the members of Lewis Wave Power Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

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### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £2,145 during the year ended 31 March 2014 and, at that date, the company's total assets exceeded its current liabilities by £843,905 and it had net current liabilities of £2,348. The company is dependent on ongoing financial support from its parent company, Aquamarine Power Limited. The parent company has received additional funds subsequent to the year end, however further funds will be required to continue asset development in the parent company. There can be no certainty that the required funding will be agreed. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

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### **What we have audited**

The financial statements, which are prepared by Lewis Wave Power Limited, comprise:

- the Balance sheet as at 31 March 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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## Opinion on other matter prescribed by the Companies Act 2006

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

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## Other matters on which we are required to report by exception

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### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 2 and 3, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Caroline Roxburgh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
10 July 2014

**Profit and loss account**  
*for the year ended 31 March 2014*

	Notes	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Administrative expenses		(2,145)	(2,445)
<b>Loss on ordinary activities before taxation</b>	2	<b>(2,145)</b>	<b>(2,445)</b>
Tax on loss on ordinary activities	3	-	-
<b>Loss for the financial period</b>	9	<b>(2,145)</b>	<b>(2,445)</b>

The notes on pages 8 to 11 form part of these financial statements.

All the results are from the continuing operations.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.



**Balance sheet**  
*As at 31 March 2014*

	<i>Notes</i>	2014 £	2013 £
<b>Fixed Assets</b>			
Tangible assets	4	846,253	814,360
<b>Current assets:</b>			
Debtors	5	2	2
		<u>2</u>	<u>2</u>
<b>Creditors: amounts falling due within one year</b>	6	<u>(2,350)</u>	<u>(2,350)</u>
<b>Net current liabilities</b>		<u>(2,348)</u>	<u>(2,348)</u>
<b>Total assets less current liabilities</b>		843,905	812,012
<b>Creditors: amounts falling due after more than one year</b>	7	<u>(851,231)</u>	<u>(817,193)</u>
<b>Net liabilities</b>		<u>(7,326)</u>	<u>(5,181)</u>
<b>Capital and reserves</b>			
Called up share capital	8	2	2
Profit and loss account	9	<u>(7,328)</u>	<u>(5,183)</u>
<b>Total shareholders' deficit</b>	10	<u>(7,326)</u>	<u>(5,181)</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 8 July 2014 and were signed on its behalf by:



Richard Round  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently throughout the period in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom and under the historical cost accounting rules.

#### *Going concern*

The financial statements have been prepared on the going concern basis, notwithstanding the loss of £2,145 incurred for the financial year and net liabilities of £7,326 at the period end.

The company is dependent on ongoing financial support from its parent company, Aquamarine Power Limited. The parent company has received additional funds subsequent to the year end, however further funds will be required to continue asset development in the parent company. There can be no certainty that the required funding will be agreed and this indicates the existence of a material uncertainty that may cast significant doubt over Aquamarine Power Limited's ability to continue as a going concern, and to financially support the company. This in turn indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. In May 2014 Aquamarine Power Limited raised £3.4m by issue of convertible loan notes to existing shareholders and £3.4m by the issue of series A preference shares to existing shareholders (to be followed by a further issue of convertible loan notes of £0.85m in September subject to certain conditions). On this basis the Directors believe that adequate additional funding will be available in order to enable the group and the company to continue in operation for the foreseeable future as a going concern.

Aquamarine Power Limited, has confirmed that it will provide ongoing financial support to the company to allow it to meet its liabilities as they fall due.

Based upon the undertaking of financial support outlined above, and making appropriate enquiries, the directors of Lewis Wave Power Limited have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing these financial statements.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

#### *Related party transactions*

The Company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Group.

#### *Tangible fixed assets and depreciation*

Costs relating to the development of sites for generation of renewable energy are capitalised during the development phase of the project to be depreciated over the lifetime of the site. The development of the site is deemed to commence with the grant of a seabed lease, prior to this event there exists material uncertainty around the development continuing and all costs are charged to the profit and loss.

#### *Taxation*

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

## Notes (continued)

### 2 Loss on ordinary activities before taxation

	2014 £	2013 £
<i>Operating loss on ordinary activities is stated after charging:</i>		
Auditors' remuneration:		
Audit of these financial statements	1,500	1,500
Non audit fees in relation to taxation services	850	750
	<u>          </u>	<u>          </u>

During the period, no director received any emoluments. The directors are the only employees of the company.

### 3 Tax on loss on ordinary activities

#### *Analysis of charge in the period*

	2014 £	2013 £
<i>UK corporation tax</i>		
Current tax on loss for the period	-	-
	<u>          </u>	<u>          </u>
Tax on loss on ordinary activities	-	-
	<u>          </u>	<u>          </u>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is the same as (2013: the same as) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below.

	2014 £	2013 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(2,145)	(2,445)
	<u>          </u>	<u>          </u>
Current tax at 23% (2013: 24%)	(493)	(587)
	<u>          </u>	<u>          </u>
<i>Effects of:</i>		
Tax losses carried forward	493	587
	<u>          </u>	<u>          </u>
Total current tax charge (see above)	-	-
	<u>          </u>	<u>          </u>

There are tax losses carried forward of £7,328 (2013: £5,183) for which no benefit has been recognised because it is not possible to confirm with reasonable assurance that sufficient future taxable profit will be available against which the company can utilise the benefit.

**Notes (continued)**

**4 Tangible fixed assets**

	2014 £	2013 £
<i>Cost and net book value</i>		
At 1 April 2013	814,360	486,054
Additions in period	31,893	328,306
	<hr/>	<hr/>
At 31 March 2014	846,253	814,360
	<hr/>	<hr/>

Tangible fixed assets relate to site under development as at 31 March 2014, as such no depreciation has been charged in the period.

**5 Debtors**

	2014 £	2013 £
Share capital unpaid	2	2
	<hr/>	<hr/>

**6 Creditors: amounts falling due within one year**

	2014 £	2013 £
Accruals	2,350	2,350
	<hr/>	<hr/>

**7 Creditors: amounts falling due after more than one year**

	2014 £	2013 £
Amounts owed to parent company	851,231	817,193
	<hr/>	<hr/>

Amounts owed to parent company accrue no interest and are repayable on demand.

**8 Called up share capital**

	2014 £	2013 £
<i>Authorised:</i>		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

## Notes (continued)

### 9 Profit and loss account

	2014 £
At beginning of year	(5,183)
Loss for the financial period	(2,145)
	<hr/>
At end of year	(7,328)
	<hr/>

### 10 Reconciliation of movement in shareholders' deficit

	2014 £	2013 £
Loss for the financial period	(2,145)	(2,445)
	<hr/>	<hr/>
Net reduction to total shareholders' funds	(2,145)	(2,445)
Opening shareholders' deficit	(5,181)	(2,736)
	<hr/>	<hr/>
Closing total shareholders' deficit	(7,326)	(5,181)
	<hr/>	<hr/>

### 11 Ultimate parent company

The company's ultimate parent undertaking is Aquamarine Power Limited, which is registered in Scotland. The financial statements of Aquamarine Power Limited are available from Companies House, 4<sup>th</sup> Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

Aquamarine Power Limited is the largest and smallest group to consolidate these financial statements.