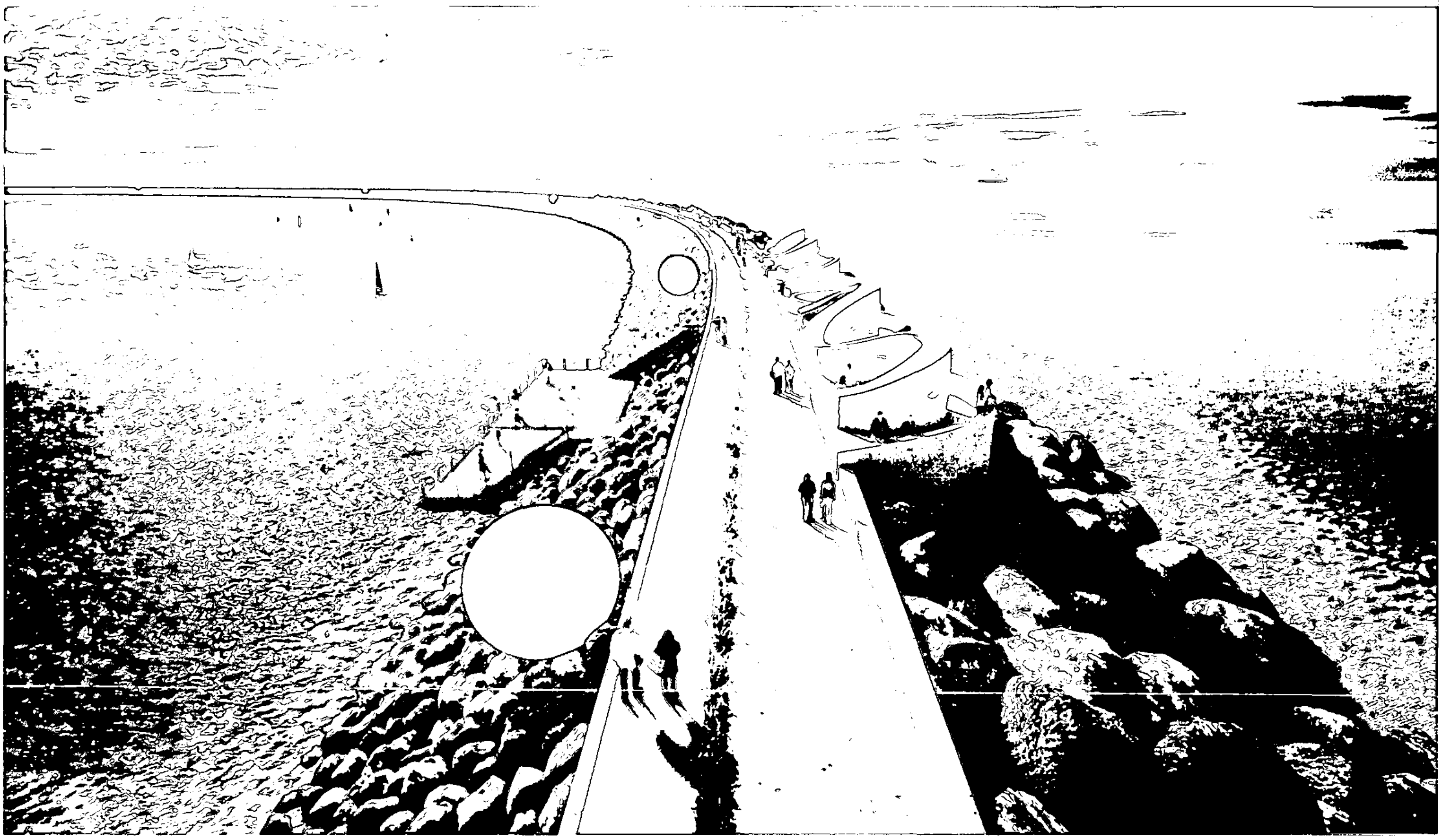
TIDAL LAGOON
PLC



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2019

Registration number: 09359280

tidallagoonpower.com

Our mission is to drive a critical change in the UK's energy mix by developing infrastructure to harness natural power from the rise and fall of the tides.

Contents

Company information

Directors
M C Shorrock
P J Carter

Company secretary
P J Carter

Registered office
Pillar & Lucy House
Merchants Road
The Docks
Gloucester
GL2 5RG

Accountants and Statutory Auditors
Baldwins Audit Services
Pillar House
113/115 Bath Road
Cheltenham
GL53 7LS

Registered number
09359280 (England and Wales)

Registrars
SLC Registrars
42-50 Hersham Road
Walton-on-Thames
KT12 1RZ

Introduction to Tidal Lagoon Plc Group

Tidal lagoons offer a means of harnessing the sea to generate indigenous, low carbon electricity at scale from the natural movement of the tides. Tidal lagoons represent affordable and sustainable infrastructure that can:

- Generate over 8% of the UK's electricity requirements*;
- Create long-term UK employment;
- Act as a catalyst for a long-term UK hydroelectricity manufacturing and engineering industry;
- Promote biodiversity;
- Promote local community resilience and pride; and
- Allow UK institutions (and potentially the general public) to invest in and take long-term ownership of our natural power assets.

The EU and UK have ambitious emission reduction targets and a growing need for energy solutions at an affordable cost over the long-term. Tidal lagoons offer a highly sustainable, low cost and low carbon solution to our energy demands and Tidal Lagoon Plc ("the Company") and its subsidiaries' (together "the Group") vision is to develop, construct and operate a fleet of tidal lagoons that cumulatively provide up to 8% of the UK's electricity need, with environmental considerations at their core.

The Group was established to build on the foundations laid by its subsidiary, Tidal Lagoon Power Limited ("TLPL"), which has been responsible for the development of the Swansea Bay tidal lagoon (the "Swansea Project"). The Swansea Project, once operational, would be capable of generating electricity for 14 hours a day over its 120 year life and could establish a scalable blueprint for the proposed fleet lagoon programme.

The Group has also undertaken work and analysis on potential lagoon sites situated around the west coast of the UK, with particular focus on the Severn Estuary and Liverpool Bay, and undertaken early stage development activities for a number of international opportunities, including sites in Northern France.

An independent Review into the role of Tidal Lagoons (the "Hendry Review") commissioned by the UK Government in April 2016, chaired by Charles Hendry and published in January 2017 (see hendryreview.wordpress.com), was supportive of tidal lagoons in general with the Swansea Project, as the pathfinder, being heralded as a no-regrets decision.

* Cebr: The Economic Case for a Tidal Lagoon Industry in the UK, July 2014

Group Strategic Report

Business Review

On 25 June 2018 the UK Government announced that it would not be offering a subsidy in the form of a Contract for Difference ("CfD") to the Swansea Project although it remained open to the concept of tidal lagoons. This had a fundamental impact on the Group's business plan and its ability to raise funds.

Management initiated the "LaunchCo plan" to amalgamate the interests of both the Group and Tidal Lagoon (Swansea Bay) Plc, with the primary objective of taking the Swansea Project to financial close and a secondary aim of subsequently delivering further cost-competitive tidal lagoons as a strategic large-scale renewable energy solution to the UK's energy requirements; effectively creating a longer-term tidal range utility company, Tidal Power Plc ("TPP"). The Company has allowed TPP to utilise the Group's intellectual property on the basis that, if the LaunchCo Plan proves successful, value will be delivered back to shareholders.

To protect the investment made to date, the Company and its primary subsidiary, TLPL, entered into Company Voluntary Arrangements ("CVA") with their respective creditors in September 2018. The Group also scaled back its activities to a minimal level and made all residual employees redundant.

Given its limited financial resources, the Group is reliant upon TPP taking the Swansea Project to financial close which, in accordance with the CVA proposal, will facilitate the repayment of the Group's creditors and provide funds to take forwards the development of future lagoons.

Results

The Group made an operating loss for the period of £3.5m (2017: £3.1m) which reflects the fact that, notwithstanding a significant and progressive scaling back of activities throughout the period, the Group was unable to recharge any of its overhead back to Tidal Lagoon (Swansea Bay) Plc and, given the underlying importance of the pathfinder lagoon to the Company's business plan, was equally unable to discontinue the related critical path activities ahead of the UK Government's decision. The Group loss before tax was £5.0m (2017: £7.7m).

Principal Risks and Uncertainties

The Directors consider that the principal risks and uncertainties facing the Group are as follows:

Dependence on other entities to deliver the LaunchCo Plan

The Group is dependent on TPP to deliver the LaunchCo Plan or a similar scheme. The LaunchCo Plan is speculative in nature, has a primary focus on the Swansea Project, and is likely to require political support from, as a minimum, the Welsh Government to succeed. To achieve financial close of the Swansea Project, TPP will need to secure construction funding and any outstanding assets, consents and agreements.

Planning consents
The Development Consent Order ("DCO") for the Swansea Project was awarded on 9 June 2015 and, unless extended, will expire on the 30 June 2020. An initiative has been launched by TPP as the first stage in the LaunchCo Plan, to secure the DCO in perpetuity by commencing a material part of the landside works ahead of that deadline. In addition to discharging planning conditions within the timeframe, this will also require UK Government agreement to the proposed decommissioning plan.

Financial Risk - Short-Term
The Group remains wholly reliant upon the continued support of related party companies and directors for its short-term funding requirements. The Group is also dependent on the Welsh Government continuing to support by not calling its loan, maintaining creditors' confidence to enable the Group to extend the terms of the CVAs, if required, and the ultimate success of the LaunchCo Plan to ensure that the Group is able to discharge its longer-term obligations to historic creditors in accordance with the CVA terms.

The Directors have prepared projected cash flow information for the next twelve months taking account of projected expenditure which show that the Group has sufficient cash to meet its anticipated post-CVA obligations as they fall due. However, the Group has limited ability to absorb any unanticipated costs and in those circumstances would be reliant upon funding being made available by TPP or another alternative external source.

Whilst the Directors believe the going concern basis is appropriate at the date of this report, the inherent uncertainties around the deliverability of the LaunchCo Plan have a major impact on this assessment such that if the LaunchCo Plan becomes non-deliverable, due to the expiry of the DCO or otherwise, then the CVA is likely to fail which may lead to the Company and its primary subsidiary, TLPL, ceasing to trade.

Political Landscape
Whilst there is a perceived need for strategic, low-carbon solutions to the climate change challenge and the UK Government have expressed that they remain open in principle to cost-competitive tidal lagoons as part of the UK strategic energy mix, there is no guarantee that a future lagoon would be offered a CfD or any alternative support mechanisms by the UK Government required to make their delivery viable.

Key Performance Indicators
The Group, for the foreseeable future, is being managed to preserve value and support the LaunchCo Plan.

Group Strategic Report

Future Development and Performance

Given the Group's lead developer role in the Swansea Project and the progress previously made towards delivering the first full scale tidal lagoon to be situated in Cardiff Bay, the Board believe that, if the LaunchCo Plan proves successful, the Group is well placed to benefit from the rollout of future lagoons.

Approved by the Board on 27 February 2020 and signed on its behalf by

P J Carter

P J Carter
Director

Board

Mark Shorrock – Chief Executive Officer

Mark is a successful UK renewable energy innovator who, to date, has been responsible for the consenting of 49 UK based solar and wind sites with a total installed capacity of 350MW as well as the 320MW Swansea Bay tidal lagoon. He also sold one of the largest pre-consent pipeline of UK wind assets in 2006 and pioneered two first-of-kind renewable energy investment vehicles, one specialising in early stage low carbon companies and the other focused on solar power investments.

Patrick Carter – Chief Financial Officer

Patrick is a qualified Chartered Accountant and Barrister. Having spent his early career at Deloitte, he was appointed Group Finance Director of Aukett Fitzroy Robinson Group Plc in 2002, one of the UK's leading international commercial architectural practices. Between 2007 and 2012, he was Finance Director of Charteris Plc, an AIM quoted business consultancy and IT systems integrator.

Directors' Report (Company number 09359280)

The Directors present their Annual Report with the financial statements of the Group for the period ended 30 June 2019.

Dividends
No dividends will be distributed for the period ended 30 June 2019 (2017: £Nil).

Board of Directors
The Group is led and controlled by a Board of Directors. The Board currently comprises two executive directors. The Board has adopted a schedule of matters that are reserved as responsibilities of the Board.

Directors of the Company
The Directors shown below have, except as noted, held office during the whole of the year to the date of this report:

M C Shorrock
P J Carter
K E Clarke (resigned 26 July 2018)
S K Gupta (resigned 11 June 2018)
R Ghandi (appointed 11 June 2018; resigned 26 July 2018)

Biographical details are set out on page 5.

Environmental Policy
The Group is committed to protecting the environment by complying with all relevant UK legislation, meeting national standards relating to the environment and adopting best working practices currently in use by the industry. The Group uses the word environment to cover the natural environment and ecosystems as well as the built environment and the effect the Group's operations can have on peoples' lives and heritage.

Health and Safety
The Group seeks to promote all aspects of health and safety at work throughout its operations in the interests of employees, contractors and visitors.

Research and Development Activities
A significant part of the Group's activities are directed towards research and development.

Research and development, in its widest sense, encompasses the use of scientific or technological knowledge in order to produce new or substantially improved materials, devices, products or services to install new processes and systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

Whether it be engineering, project design, environmental impact assessment or other related projects, the Directors consider that these activities fall squarely within this definition. What the Group is seeking to achieve is in every way pushing forward the boundaries of science and engineering, and seeking to achieve a major technological advance.

The results of our activities will create intellectual property, rights, permits, contracts and know-how that are required in order to design, build and operate unique power plants and develop an ecosystem enhancement plan (to mitigate against certain environmental impacts). We are confident that our activities will make an appreciable advance in the overall knowledge and capability within this field and we are, and will continue to be, a leader in the advance of knowledge and capability in the field of renewable energy using tidal technology.

Disclosure in the Group Strategic Report
Other matters required to be disclosed in the Report of the Directors in accordance with section 416(4) of the Companies Act 2006 in relation to financial risks and future developments are set out in the Group Strategic Report on pages 2 to 4 in accordance with section 414C(11) of the Companies Act 2006.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Group Strategic Report, 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 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 the Group and of the profit or loss of the Group 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group'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.

Statement as to disclosure of information to auditors

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 Group'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 Group's auditors are aware of that information.

Approved by the Board on 27 February 2020 and signed on its behalf by

P J Carter

P J Carter
Director

Report of the Independent Auditors

Opinion

We have audited the financial statements of Tidal Lagoon Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 30 June 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2019 and of the Group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to note 3 in the financial statements that indicates that the UK Government Announcement on 25th June 2018 not to offer a CfD to the Swansea Bay pathfinder project has significantly hampered the Group's ability to raise the funding required to take the business plan forward. A CVA was agreed on 4th September 2018 by the Parent Company and its subsidiary, TLPL, in order to restructure existing Group debt and included an alternative proposal for the delivery of the pathfinder project, referred to as "the LaunchCo Plan". As stated in note 3, these events or conditions, along with other matters set out in note 3, indicate that a material uncertainty exists 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. The other information comprises the information in the Group Strategic Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement in the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 a Report of the Auditors that includes our opinion. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement in the other information. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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.

Baldwins Audit Services

Claire Clift (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services
Statutory Auditors
Pillar House
113/115 Bath Road
Cheltenham
Gloucestershire
GL53 7LS
Date: 27 February 2020

Consolidated Statement of Comprehensive Income
Period ended 30 June 2019

	Notes	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
TURNOVER		70	2,469
Cost of sales		(275)	(1,119)
GROSS PROFIT		(205)	1,350
Administrative expenses		(3,295)	(4,469)
OPERATING LOSS	6	(3,500)	(3,119)
Exceptional items	7	(1,220)	(4,480)
		(4,720)	(7,599)
Interest receivable and similar income	8	1	2
		(4,719)	(7,597)
Interest payable and similar expenses	9	(329)	(141)
LOSS BEFORE TAXATION		(5,048)	(7,738)
Tax on loss	10	225	428
LOSS FOR THE FINANCIAL YEAR		(4,823)	(7,310)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(4,823)	(7,310)
Attributable to:			
Owners of the parent		(4,823)	(7,310)
Non-controlling interests		-	-
		(4,823)	(7,310)

Consolidated Balance Sheet
As at 30 June 2019

	Notes	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
FIXED ASSETS			
Intangible assets	*12*	-	-
Tangible assets	*13*	-	-
Investments	*14*	-	-
		-	-
CURRENT ASSETS			
Debtors	*15*	550	523
Cash at bank		5	34
		555	557
CREDITORS			
Amounts falling due within one year	*16*	(11,106)	(6,285)
NET CURRENT LIABILITIES		(11,106)	(5,728)
TOTAL ASSETS LESS CURRENT LIABILITIES		(10,551)	(5,728)
NET LIABILITIES		(10,551)	(5,728)
CAPITAL AND RESERVES			
Called up share capital	*20*	70	70
Share premium	*21*	11,698	11,698
Profit and loss account	*21*	(22,322)	(17,499)
SHAREHOLDERS' FUNDS		(10,554)	(5,731)
NON-CONTROLLING INTEREST	*22*	3	3
TOTAL EQUITY		(10,551)	(5,728)

The financial statements were approved by the Board of Directors on 27 February 2020 and were signed on its behalf by:

P J Carter
Director

Company Balance Sheet
Period ended 30 June 2019

	Notes	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
FIXED ASSETS			
Intangible assets		-	-
Tangible assets		-	-
Investments	14	47	47
		47	47
CURRENT ASSETS			
Debtors	15	2	2
Cash at bank		3	-
		5	2
CREDITORS			
Amounts falling due within one year	16	(8,355)	(5,127)
NET CURRENT LIABILITIES		(8,350)	(5,125)
TOTAL ASSETS LESS CURRENT LIABILITIES		(8,303)	(5,078)
NET LIABILITIES		(8,303)	(5,078)
CAPITAL AND RESERVES			
Called up share capital	20	70	70
Share premium	21	11,698	11,698
Profit and loss account	21	(20,071)	(16,846)
SHAREHOLDERS' FUNDS		(8,303)	(5,078)
Company's loss for the financial year		(3,225)	(10,013)

The financial statements were approved by the Board of Directors on 27 February 2020 and were signed on its behalf by:

P J Carter

P J Carter
Director

Statement of Changes in Equity
Period ended 30 June 2019

Consolidated:

	Called up Share Capital £'000	Profit and Loss £'000	Share Premium £'000	Total £'000	Non-controlling interests £'000	Total Equity £'000
Balance at 1 January 2017	70	(10,189)	11,064	945	3	948
Changes in equity						
Issue of share capital	-	-	634	634	-	634
Total comprehensive income	-	(7,310)	-	(7,310)	-	(7,310)
Balance at 31 December 2017	70	(17,499)	11,698	(5,731)	3	(5,728)
Changes in equity						
Total comprehensive income	-	(4,823)	-	(4,823)	-	(4,823)
Balance at 30 June 2019	**70**	**(22,322)**	**11,698**	**(10,554)**	**3**	**(10,551)**

Company:

	Called up Share Capital £'000	Profit and Loss £'000	Share Premium £'000	Total Equity £'000
Balance at 1 January 2017	70	(6,833)	11,064	4,301
Changes in equity				
Issue of share capital	-	-	634	634
Total comprehensive income	-	(10,013)	-	(10,013)
Balance at 31 December 2017	70	(16,846)	11,698	(5,078)
Changes in equity				
Total comprehensive income	-	(3,225)	-	(3,225)
Balance at 30 June 2019	**70**	**(20,071)**	**11,698**	**(8,303)**

Consolidated Cash Flow Statement
Period ended 30 June 2019

	Notes	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Cash flows from operating activities			
Cash generated from operations	*28*	(2,007)	(3,654)
Interest paid		(26)	(130)
Tax credit received		-	763
Net cash from operating activities		(2,033)	(3,021)
Cash flows from investing activities			
Purchase of loan notes		(107)	(697)
Interest received		1	2
Net cash from investing activities		(106)	(695)
Cash flows from financing activities			
New loans in year		2,000	1,396
Amounts introduced by directors		110	370
Share issue		-	634
Net cash from financing activities		2,110	2,400
Decrease in cash and cash equivalents		(29)	(1,316)
Cash and cash equivalents at beginning of year		34	1,350
Cash and cash equivalents at end of year		5	34

1. *Company information*

   Tidal Lagoon Plc is a public company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information section of the contents page.

2. *Statement of compliance*

   These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102") and Companies Act 2006.

3. *Accounting policies*

   The principal accounting policies applied in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements have been prepared on a going concern basis and on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified below. They are presented in Pounds Sterling, rounded to the nearest thousand pounds.

Basis of consolidation

The consolidated financial statements comprise the accounts of Tidal Lagoon Plc and all its material subsidiaries up to 30 June 2019. The financial statements include any subsidiaries acquired during the period from the date of acquisition.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report on pages 2 to 4. The principal risks and uncertainties section on pages 2 and 3 provides further details of the principal risks affecting the Group.

The Group has to date met its day-to-day working capital requirements from its cash balances generated from a series of ongoing equity and debt fund raises, extended credit from its core suppliers, and loans from related party companies, directors and the Welsh Government. The announcement from UK Government not to offer a CfD to the Swansea Project significantly hampered the Group's ability to raise the funding required to take the business plan forward.

As reported in the Business Review, the Group's overheads have been materially reduced over the period to the date of this report. Its post-CVA forward working capital requirement has been funded by TPP and further director and related party loans.

However, the potentially binary implication of the success of the LaunchCo Plan on the short-term future of the Group, the subsequent discharge of the CVA and willingness of creditors to extend the term of the CVA should it prove necessary, are fundamental risks.

Accounting policies (continued)

The Group has very limited resources available to it should either the LaunchCo Plan prove not to be successful or the Welsh Government call in its secured loan.

The Directors have prepared projected cash flow information for the Group for the next twelve months from the date of approval of the financial statements on the basis that the LaunchCo Plan continues to progress and is ultimately successful and the Welsh Government do not call in their loan. These take account of cash available to the business, projected expenditure based on the Group's forward commitments and actions the Board may take in response to reasonable cash flow sensitivities.

After consideration of the forecasts and making appropriate enquiries, the Board believe that the Company has sufficient cash resources to meet its post-CVA liabilities as they fall due and there is a reasonable prospect of a positive CVA outcome; therefore that the going concern basis is appropriate at the date of signing the accounts.

However, the lack of UK Government support for tidal lagoons and the Group's limited ability to raise further funds at the current time gives rise to significant uncertainties over the availability of alternative finance (potentially with significant dilutive impacts on existing shareholders), should this be required.

Furthermore, were the LaunchCo Plan to be unsuccessful for any reason, it is very likely that the CVA would fail and the Company cease to trade. In these or similar circumstances, adjustments would need to be made to reduce the value of the assets to their recoverable amount and to provide for any further liabilities that might arise. Available funding will be insufficient to cover current liabilities at that point.

Financial Reporting Standard 102 - reduced disclosure exemptions

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

- from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- the requirement of disclosing the Company key management personnel compensation, as required by FRS102 paragraph 33.7.

Reporting period

The current reporting period covers an 18-month period from 1 January 2018 to 30 June 2019 as the year end was extended whilst details of the LaunchCo plan were agreed. As a result of the above, the comparative amounts presented in the financial statements are not entirely comparable with the results of the current period.

Accounting policies (continued)

Turnover

Turnover represents amounts receivable for the provision of goods and services, excluding value added tax. All turnover arose in the United Kingdom and represents ancillary income resulting from the Group's activities in developing tidal lagoons and associated projects.

Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and a defined contribution pension plan.

Defined Contribution Pension Plan

The Group operates a defined contribution pension scheme. Contributions are charged to profit or loss in the period to which they relate.

Exceptional items

Exceptional items are those which are separately identified by virtue of their size or nature to allow a full understanding of the underlying performance of the Group.

Business Combinations and Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated into goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The carrying value of the assets are regularly reviewed by the directors and further adjustment to carrying values are made where considered appropriate.

Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Accounting policies (continued)

Depreciation is charged from the month of acquisition and is provided at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold improvement	- Over the period of the lease
Fixtures and fittings	- 33% on cost
Computer equipment	- 33% on cost

The carrying value of the assets are regularly reviewed by the directors and further adjustments to carrying values are made where considered appropriate.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. The recoverable amount is the higher of its net realisable value and its value-in-use.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Accounting policies (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when it is incurred.

Expenditure on development activities, which can be separately distinguished from the research phase of a project, is capitalised if the product or process can be demonstrated as technically and commercially feasible, will generate probable future economic benefits and that the Group has adequate technical, financial and other resources available to complete the development. Other development expenditure is recognised in profit or loss as incurred.

Hire purchase and leasing commitments

Operating lease rentals are charged to the profit or loss over the life of the lease.

Share based payments

The cost of equity-settled transactions is recognised in profit or loss, together with a corresponding increase in equity, measured by reference to the fair value of the equity instruments granted in respect of the services provided.

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 result.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investment in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts, discounted at a market rate of interest. Such assets are subsequently carried at amortised costs using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Accounting policies (continued)

Non-basic financial assets are initially recognised at fair value on the date they are entered into and are subsequently re-measured at fair value. Changes in the fair value of non-basic financial assets are recognised in profit or loss in finance costs or finance income as appropriate.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Non-basic financial liabilities are initially recognised at fair value on the date they are entered into and subsequently re-measured at fair value. Changes in the fair value of non-basic financial liabilities are recognised in profit or loss in finance costs or finance income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Accounting policies (continued)

(iii) Compound financial instruments

Compound financial instruments issued by the Company comprise loan notes that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements where there is a legally enforceable right to set off the recognised amounts and there is an intention on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from proceeds.

4. *Critical accounting judgements and estimating uncertainty*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

i) Impairment of intangible assets and goodwill

The Group considers whether intangible assets and goodwill are impaired. Where an indication of impairment is identified the appropriate amount is charged to profit or loss against the asset.

Critical accounting judgements and estimating uncertainty (continued)

ii) *Fair value of the loan note assets and liabilities*

The fair value of the loan notes requires an assessment as to the level of certainty of the outcome of a number of contingent events and the impact on potential lender returns in the context of the specific terms of the loan note instruments. This includes assessing the implications of the UK Government's decision in regards to the Swansea Bay Tidal Lagoon project and subsequent agreement of a CVA.

iii) *Fair value of other loans*

The fair value of other loans, where repayment of the loan is linked to redemption of loan note assets, requires an assessment of the likelihood the loans will be repaid which is consistent with both the terms of those loans and the fair value assessment of the linked loan note asset.

iv) *Research and Development tax credit*

The Company makes a provision for the estimated rebate from HMRC for research and development which requires an assessment of qualifying expenditure meeting HMRC guidelines and relevant tax legislation.

v) *Valuation of Creditors*

Creditors have been based on the books and records of the Group and claims made to the CVA supervisors and include provisions for amounts due for early termination of contracts resulting from the CVA process.

5. *Employees and Directors*

Group

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

	Period ended 30 Jun 19	Year ended 31 Dec 17
Directors	3	4
Administrative staff	5	13
Development staff	11	48
	19	65

Employees and Directors (continued)

The aggregate payroll costs for these personnel were as follows:

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Wages and salaries	1,710	2,648
Social security costs	200	344
Other pension costs	63	84
	1,973	3,076
Directors' remuneration	33	51

In addition to the costs noted above, an additional £350,000 has been recognised in the CVA as owing to certain employees for loss of office under their contractual terms including £100,000 owing to directors. Total key management personnel compensation for the year was £433,000 (2017: £398,000).

Certain Directors and key management personnel received their emoluments from the parent company, Shire Oak Energy Limited. An element of the remuneration is recharged to the Group as professional services (see note 27).

6. *Operating Loss*

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
The operating loss is stated after charging/(crediting):		
Depreciation – owned assets	-	26
Auditor's remuneration	11	10
Auditor's remuneration – audit of subsidiaries	10	8
Auditor's remuneration – other taxation advisory	20	10
Auditor's remuneration – other services	4	6
Foreign exchange differences	-	6
Operating lease payments	163	224
Research and development expenditure	666	1,156

7. *Exceptional items*

Following the UK Government's announcement on 25 June 2018 of its decision not to offer a CfD to the Swansea Bay project, the fair value of financial assets held at fair value through profit or loss in relation to 2018 Loan Notes issued by TLSB was assessed as £Nil due to the significant risk of non-recoverability. This resulted in an exceptional charge of £107,000 to profit or loss (2017: £4,394,000). Consequently, the fair value of financial liabilities held at fair value through profit or loss in relation to Other Loans, where repayment terms are directly linked to the recoverability of the 2018 Loan Notes, was also assessed as £Nil which resulted in a prior year exceptional credit of £486,000 to profit or loss.

Furthermore, as a result of the UK Government's announcement, and the anticipated restructuring of debt that was subsequently secured by the agreement of a CVA entered into by the Group on 4 September 2018, the 2020 and 2021 Loan Notes were assessed as falling due on demand at a fair value equivalent to their redemption price. This was based on conditions included in the Loan Note Instrument that stated that the redemption price could become immediately repayable at the option of a noteholder following the occurrence of certain events, including debt restructuring arrangements. This resulted in an exceptional charge of £787,000 to profit or loss (2017: £572,000).

Pursuant to the terms of the CVA, provisions have been made for termination payments due to creditors arising from early termination of contracts through the CVA process. This resulted in an exceptional charge of £326,000 to profit or loss (2017: £nil).

Exceptional items included in profit or loss are summarised as follows:

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Exceptional charge in relation to financial assets held at fair value through profit or loss	**107**	4,394
Exceptional credit in relation to financial liabilities held at fair value through profit or loss	**-**	(486)
Exceptional charge in relation to financial liabilities held at fair value through profit or loss	**787**	572
Total exceptional charge on financial assets and liabilities held at fair value through profit or loss	**894**	4,480
Exceptional charge in relation to contracted early termination charges arising from the CVA process	**326**	-
Total exceptional charge on financial liabilities not held at fair value through profit or loss	**326**	-
Total exceptional charge through profit or loss	**1,220**	4,480

8. *Interest receivable and similar income*

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Bank interest received	1	2
Total interest receivable on financial assets not held at fair value through profit or loss	1	2
Total interest receivable and similar income	1	2

9. *Interest payable and similar expenses*

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Loan interest	284	127
Other interest payable	45	14
Total interest expense on financial liabilities not held at fair value through profit or loss	329	141
Total interest payable and similar expenses	329	141

10. *Taxation*

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Current tax:		
UK Corporation tax	155	315
Under provision for prior year	70	113
Total current tax credit	225	428
Deferred tax:		
Origination and reversal of timing differences	-	-
Total tax credit on loss	225	428

Taxation (continued)

Reconciliation of total tax charge included in profit or loss

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

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Loss on ordinary activities before tax	5,048	7,738
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19.00% (2017: 19.25%)	(959)	(1,490)
Effects of:		
Expenses not deductible for tax purposes	42	769
Utilisation of tax losses	203	418
Additional deduction for research and development expenditure	(115)	(236)
Unrelieved tax losses carried forward	829	539
Current year research and development tax credit	(155)	(315)
Adjustment to tax charge in respect of previous years	(70)	(113)
Total tax credit	(225)	(428)

11. *Individual Statement of Comprehensive Income*

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

12. *Intangible fixed assets*

Group

	Negative Goodwill £'000
COST	
At 1 January 2018 and 30 June 2019	(315)
AMORTISATION	
At 1 January 2018 and 30 June 2019	315
NET BOOK VALUE	
At 31 December 2017 and 30 June 2019	-

13. *Tangible fixed assets*
Group

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
COST				
At 1 January 2018	63	46	21	130
Disposal	(63)	(46)	(21)	(130)
As at 30 June 2019	-	-	-	-
DEPRECIATION				
At 1 January 2018	63	46	21	130
Disposal	(63)	(46)	(21)	(130)
As at 30 June 2019	-	-	-	-
NET BOOK VALUE				
At 31 December 2017 and 30 June 2019	-	-	-	-

14. *Fixed asset investments*

Company

	Shares in Group undertakings £'000
COST	
At 1 January 2018 and 30 June 2019	47
NET BOOK VALUE	
At 1 January 2018 and 30 June 2019	47

The Company's investments at the Balance Sheet date in the share capital of other companies include the following:

Subsidiaries	Class of share	Proportion held	Country of incorporation	Nature of business
Tidal Lagoon Power Ltd	Ordinary	100.0%	UK	Development
Tidal Lagoon (West Cumbria) Plc	Ordinary	93.6%	UK	Dormant
Tidal Lagoon (Colwyn Bay) Plc	Ordinary	100.0%	UK	Dormant
Tidal Lagoon (Cardiff) Ltd	Ordinary	100.0%	UK	Dormant
Simec Tidal Lagoon Power India Ltd	Ordinary	100.0%	UK	Dormant

The registered office of all subsidiary companies is Pillar & Lucy House, Merchants Road, Gloucester, GL2 5RG.

15. Debtors: amounts falling due within one year

	Group		Company	
	2019	2017	**2019**	2017
	£'000	£'000	**£'000**	£'000
Trade Debtors	**8**	148	**-**	-
Amounts owed from Group undertakings	**-**	-	**-**	-
Other debtors	**2**	2	**2**	2
2018 Loan notes	**-**	-	**-**	-
Corporation tax recoverable	**540**	315	**-**	-
Prepayments and accrued income	**-**	58	**-**	-
	550	523	**2**	2

Loan notes have historically been fair valued through profit or loss at their subscription price plus accrued interest at 20%. In 2017 and as set out in note 7, due to the adverse impact of the UK Government's decision on the recoverability of the 2018 Loan notes, the asset was reassessed at £Nil. The Company has also made a provision against Amounts owed from Group undertakings totalling £7,106,000 (2017: £5,294,000).

16. Creditors: amounts falling due within one year

	Group		Company	
	2019	2017	**2019**	2017
	£'000	£'000	**£'000**	£'000
Trade creditors	**979**	884	**61**	41
Amounts owed to Group undertakings	**1,458**	1,234	**1,326**	1,283
Social security and other taxes	**210**	134	**-**	7
Accruals and deferred income	**1,350**	211	**229**	44
Loans (see note 17)	**7,109**	3,822	**6,739**	3,752
	11,106	6,285	**8,355**	5,127

Under the terms of the CVA proposals, payments to CVA related creditors are capped at £10.9m which includes repayment of the secured loan detailed in note 17 below.

17. Loans

An analysis of the maturity of loans is given below:

	Group		Company	
	2019	2017	2019	2017
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Directors' Loan Accounts	310	370	150	300
2020 Loan Notes	2,250	2,149	2,250	2,149
2021A Loan Notes	1,740	1,303	1,740	1,303
2021B Loan Notes	1,000	-	1,000	-
Amounts owed to related parties	190	-	-	-
Other Loans	1,619	-	1,599	-
	7,109	3,822	6,739	3,752

The 2020 Loan Notes and 2021 Loan Notes are redeemable on the earlier of TLSB financial close and 31 December 2020 and 31 December 2021, respectively. The contractual return is contingent on TLSB financial close. At the redemption date, the loan note holder can either receive a return of 1.5 to 2.0 times the subscription value or convert the loan note to equity at a fixed subscription price.

The loan note instruments also allow the noteholder to demand immediate repayment in the event of certain conditions, including a restructuring of debt arrangements. Following the UK Government's decision on 25 June 2018, the fair value of the loan notes have been assessed through profit or loss as repayable on demand at the full redemption price.

In 2017 this value was discounted at an interest rate of 10%. The maximum amount that might be paid out on TLSB financial close is £4,990,000 (2017: £3,615,000).

Other loans are secured against a fixed and floating charge against all assets of the Company. In addition to the loans detailed above, other loans of £486,000 were taken out in 2017, the repayment of which is directly linked to recovery of the 2018 Loan notes asset. As set out in note 7, due to the adverse impact of the Government's decision on the recoverability of the 2018 Loan notes, this liability has been reassessed at £Nil. The maximum amount that might be paid out on TLSB financial close is £1,458,000 (2017: £1,458,000).

18. Leasing agreements

Minimum lease payments fall due as follows (see note 7):

	Non-cancellable operating leases	
	2019	2017
Group	£'000	£'000
Within one year	-	237
Between one and five years	-	124
	-	361

The Company had no leasing commitments at 30 June 2019 (2017: £Nil).

19. Financial instruments

	Group		Company	
	2019	2017	2019	2017
	£'000	£'000	£'000	£'000
Financial assets:				
Current financial assets held at amortised cost	12	181	3	2
Total financial assets held at amortised cost	12	181	3	2
Current financial assets held at fair value through profit or loss	-	-	-	-
Total financial assets held at fair value through profit or loss	-	-	-	-
Financial liabilities:				
Current financial liabilities held at amortised cost	917	2,695	4,803	1,667
Total financial liabilities held at amortised cost	917	2,695	4,803	1,667
Current financial liabilities held at fair value through profit or loss	4,990	3,452	4,990	3,452
Non-current financial liabilities held at fair value through profit or loss	-	-	-	-
Total financial liabilities held at fair value through profit or loss	4,990	3,452	4,990	3,452

Financial instruments (continued)
Financial instruments that are debt instruments are measured at amortised cost.

Details of other assets held at fair value through profit or loss in debtors are disclosed in note 15 to the financial statements.

Details of other loans held at fair value through profit or loss in creditors are disclosed in note 17 to the financial statements.

20. *Called up share capital*

	2019	2017
	£'000	£'000
Allotted issued and fully paid:		
6,754,336 Ordinary Shares of 1p each (2017: 6,754,336)	68	68
Allotted issued and part-paid:		
250,000 Ordinary Share of 1p each (2017: 250,000)	2	2
Total share capital	70	70

Each Ordinary Share is entitled to one vote in any circumstances; pari passu to dividend payments or any distribution; and pari passu to participate in a distribution arising from a winding up of the Company.

Share options have been granted to InfraRed Capital Partners giving them an entitlement to subscribe for 593,220 shares at a consideration of £11.80 per share.

Share options have been granted to SIMEC Tidal Lagoon Power Pte ("SIMEC") giving them an entitlement to subscribe for 372,881 shares at a consideration of £5.90 per share at any time prior to an in principle agreement of a CfD award announcement by Government in respect to TLSB.

A further option has been granted to SIMEC giving them an entitlement to acquire up to an additional 8% of the share capital of the Company at a rate to be calculated in accordance with the option agreement in the first fundraise subsequent to an in principle agreement of a CfD award announcement by Government in respect to TLSB.

21. *Reserves*

Group

	Retained earnings £'000	Share premium £'000	Total £'000
At 1 January 2018	(17,499)	11,698	(5,801)
Deficit for the year	(4,823)	-	(4,823)
At 30 June 2019	**(22,322)**	**11,698**	**(10,624)**

Company

	Retained earnings £'000	Share premium £'000	Total £'000
At 1 January 2018	(16,846)	11,698	(5,148)
Deficit for the year	(3,225)	-	(3,225)
At 30 June 2019	**(20,071)**	**11,698**	**(8,373)**

Retained earnings includes all current and prior period retained profits and losses.

The share premium reserve contains the premium arising on issue of equity shares net of issue expenses.

22. *Non-controlling interests*

Capital and Reserves attributable to non-controlling Interests:

	£'000
At 1 January 2018 and 30 June 2019	3

Non-controlling interest reflects the value of net assets which is under the control of non-controlling interests of the entities within the Group.

23. *Controlling party*

The Company's controlling party is Shire Oak Energy Limited, a private company limited by shares and registered in England and Wales.

24. *Contingent liabilities*

The Group and Company provided a guarantee amounting to £3,860,000 (2017: £3,860,000) plus accrued interest over certain 2018 Loan Notes issued by related party, TLSB.

The Group had a contingent liability payable in the event that the Swansea Project reaches financial close. This is matched by a contingent asset of the same value with TLSB.

The Group had a contingent liability amounting to £105,000 (2017: £nil) for uncharged interest on loans payable in the event that the Swansea Project reaches financial close.

25. *Contingent assets*

The Group and Company had a contingent asset amounting to £482,000 (2017: £482,000) plus accrued interest relating to costs incurred on behalf of related party TLSB.

26. *Capital commitments*

The Group and Company had no capital commitments at the balance sheet date (2017: £Nil).

27. *Related parties*

Ultimate control of the Company resides with M C Shorrock.

Tidal Lagoon (Swansea Bay) Plc ("TLSB")

The Company directors, M C Shorrock and P J Carter are also members of the Board of TLSB.

At the year end, the fair value of amounts held on the balance sheet as owing from TLSB were as follows:

	Group		Company	
	2019	2017	**2019**	2017
	£'000	£'000	**£'000**	£'000
2018 Loan Notes	**-**	-	**-**	-

The following amounts relating to TLSB are included in the income statement:

	Group		Company	
	2019	2017	**2019**	2017
	£'000	£'000	**£'000**	£'000
Sales	**58**	2,400	**-**	2,400
Exceptional items (see note 7)	**(107)**	(4,394)	**(107)**	(4,394)

The Company has also provided a guarantee amounting to £3,860,000 (2017: £3,860,000) plus accrued interest over certain other 2018 Loan Notes issued by TLSB.

Related parties (continued)

Shire Oak Energy Limited ("SOE")

SOE is the parent company. At the year end, amounts held on the balance sheet relating to SOE were as follows:

	Group		Company	
	2019	2017	**2019**	2017
	£'000	£'000	**£'000**	£'000
Amounts owed to group undertakings	**1,456**	1,234	**1,278**	1,234
Trade creditors	**203**	155	**31**	11
Accruals	**208**	-	**-**	-
Trade debtors	**6**	-	**-**	-

The following amounts relating to SOE are included in the income statement:

	Group		Company	
	2019	2017	**2019**	2017
	£'000	£'000	**£'000**	£'000
Professional services	**353**	618	**-**	-
Loan interest	**85**	127	**85**	127

Tidal Lagoon Power Limited

The Group have taken advantage of exemption, under the terms of FRS102, not to disclose related party transactions with wholly owned subsidiaries within the Group.

Tidal Power Plc ("TPP")

The Company directors, M C Shorrock and P J Carter are also members of the Board of TPP.

At the year end, amounts held on the balance sheet as owing to TPP were as follows:

	Group		Company	
	2019	2017	**2019**	2017
	£'000	£'000	**£'000**	£'000
Loan	**190**	-	**-**	-

Related parties (continued)

Tidal Lagoon (West Cumbria) Plc ("TLWC")

At the year end, amounts held on the balance sheet relating to TLWC were as follows:

	Group		Company	
	2019	2017	**2019**	2017
	£'000	£'000	**£'000**	£'000
Amounts owed to Group undertakings	**-**	-	**49**	49

SIMEC Tidal Lagoon Power PTE Ltd ("SIMEC")

S Gupta was a non-executive director and his father P K Gupta is a director of SIMEC. Ultimate control of SIMEC resides with P K Gupta. SIMEC have been granted future rights to provide certain services at market rates and to bid for certain other services. Share options have been granted to SIMEC as detailed in note 20.

28. *Reconciliation of loss for the year to cash generated from operations*

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Loss for the financial year	**(4,823)**	(7,310)
Depreciation and amortisation charges	**-**	26
Exceptional items	**1,220**	4,480
Finance costs	**329**	141
Finance income	**(1)**	(2)
Taxation	**(225)**	(428)
	(3,500)	(3,093)
Decrease in trade and other debtors	**199**	583
Decrease in trade and other creditors	**1,294**	(1,144)
Cash generated from operations	**(2,007)**	(3,654)

29. *Cash and Cash equivalents*

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

	Period ended 30 Jun 19 £'000	Year ended 31 Dec 17 £'000
Period ended 30 June 2019		
Cash and cash equivalents	5	34
Period ended 31 December 2017		
Cash and cash equivalents	34	1,350

Shareholder Information

Registrars

Enquiries relating to matters such as loss of a share certificate, dividend payments or notification of a change of address should be directed to SLC who are the Company's registrars at Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey KT13 0TS. Telephone: 01903 706150.

You can view your shareholding in the Company through Shareview, the online shareholder portal provided by our Share Registrar, Equiniti David Venus Limited, trading as SLC Registrars. Visit the Equiniti Shareview website (shareview.co.uk) and access the Registration page by using the link at top-centre of the page. Once registered, you will be able to view and confirm your holding in the Company and holdings in TLSB or any other companies for which Equiniti are Registrar.

Further information

Further information and news can be found on our website at: www.tidallagoonpower.com.