Registration number: SC597702

Flotation Energy Limited
(formerly Flotation Energy Plc)

Annual Report and Consolidated Financial Statements

for the Year Ended 31 May 2022

Flotation Energy Limited (formerly Flotation Energy Plc)

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Flotation Energy Limited (formerly Flotation Energy Plc)

Company Information

Directors

Mr Timothy Sawyer

Mr Jonathan Dobson

Lord Nicol Stephen

Mr Toru Fujishiro

Mr Masaki Honda

Mr Shinichiro Ichiyama

Mr Shinsuke Inoue

Registered office

12 Alva Street
Edinburgh
EH2 4QG

Auditors

Johnston Carmichael LLP
Chartered Accountants
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

Flotation Energy Limited (formerly Flotation Energy Plc)

Strategic Report for the Year Ended 31 May 2022

The directors present their strategic report for the year ended 31 May 2022.

Fair review of the business

The principal activity of the Company ("Flotation Energy Limited") and the Group ("Flotation Energy Limited and its subsidiaries") is the identification and development of offshore wind energy projects in the UK and selected international markets.

The Consolidated income statement for the year ended 31 May 2022 is set out on page 11. The loss for the year amounted to £656,243 (2021: loss of £330,412). The Consolidated statement of financial position at 31 May 2022 is set out on page 12 and indicates net liabilities of £26,476 (2021: net assets of £68,719).

During the year, the directors revised classification of costs to reallocate distribution costs to administrative expenses and recognise certain staff wages as cost of sales.

The directors consider the results for the period and the position of the group at the year end to be in line with the directors' expectations, given the nature of the group's activities.

Revenue for the year was £2,040,048 (2021: £512,936). This was generated from our partner companies with whom we collaborate on joint projects. Our business model is to take the lead in project development work and to collaborate with others in order to mitigate project risks and reduce costs.

During the year development activity continued on offshore wind projects in the UK, Ireland, Australia and Asia and Intangible assets which represent capitalised development costs of offshore wind farm projects increased from £880,531 to £3,744,249.

In July 2021, the Group's associate company, Offshore Wind Limited ("OWL") was awarded a 100MW floating test and demonstration project farm in the Celtic Sea. This was the second offshore wind development site awarded to OWL, following the award of the 480MW Morecambe site in February 2021.

The directors consider the results for the period and the position of the group at the year end to be in line with the directors' expectations, given the nature of the group's activities.

Events after the reporting period

On 17 October 2022, Flotation Energy Plc re-registered as a private limited company and became Flotation Energy Limited.

On 1 November 2022, TEPCO Renewable Power, Inc. signed an agreement with the shareholders of Flotation Energy Límited to purchase 100% of its issued shares to TEPCO Renewable Power, Inc. The acquisition was subsequently completed on 11 November 2022 and Flotation Energy Limited became part of the TEPCO Group. Its immediate parent company therefore became TEPCO Renewable Power, Inc. and its ultimate controlling party became TEPCO Holdings, Inc., a company registered in Japan.

On 11 November 2022, the Company issued 4,809 Ordinary shares of £1 each. On 18 November 2022, the Company issued 10,882,454 Ordinary shares of £1 each. On 4 January 2023 the Company issued 9,634,854 shares of £1 each.

Principal risks and uncertainties
The group's current activities expose it to a number of principal risks and uncertainties during the normal course of business. These can be categorised as follows:

Strategic risk: Delays in license or planning consent

Delays in securing a license or planning consent from the authorities, communities and others in relation to the new projects and sites. The risk is mitigated through prudent project budgeting and effective management of stakeholders in the consenting process. The company's directors have a track record in the effective management of consenting processes.

Liquidity risk: Access to capital

The company is supported by funding provided by certain directors and shareholders, either directly or through connected companies, controlled by those directors and shareholders, who have confirmed their willingness to support the company to enable it to meet its liabilities as they fall due for a period at least 12 months from the date of approval of these financial statements.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Group incurring a financial loss. The Group is exposed to the risk that its counterparties will fail to discharge their obligations to the Group on its cash, cash equivalents and accounts receivable.

Cash and cash equivalents are on deposit with reputable UK and international banking institutions, and therefore the Group does not believe they instruments are subject to material credit risk.

The majority of trade debtors are customers with whom the Group has established trading relationships. As a result, accounts receivable are considered for impairment on an individual basis.

Foreign Exchange Risk

Foreign currency exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Group is exposed to changes in foreign exchange rates as some of the Group's subsidiaries operate in foreign jurisdictions. As a result, fluctuations in these currencies against Pound Sterling could result in unanticipated fluctuations in the Group's financial results.

Section 172(1) statement
The Directors have considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172').

When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business environment in which we operate, including the challenges of developing offshore wind projects of navigating through the energy transition. The Directors take decisions that they believe best support the ambitions of the company to develop and deliver the very best offshore wind projects.

S172(1) (B) "The interests of the company's employees"

The Directors recognise that our employees are vital to the business and the delivery of our ambitions, our success depends on attracting and retaining employees. The Directors consider the impact of their decisions on employees and the wider workforce and their health, safety and well being is always a strategic priority for Flotation Energy.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong relationships with suppliers, governments and joint-venture partners. The Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged.

S172(1) (D) "The impact of the company's operations on the community and the environment

This is fundamental in our strategic ambitions to deliver affordable renewable energy that will help the planet combat climate change. As such, the Board receives information on these topics to provide information for specific decisions.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

Flotation Energy's mission is to accelerate the global delivery in the 21st century of clean, green, renewable energy. The Directors are entirely committed to ensure that the high standards are maintained both within Flotation Energy and in the business relationships we maintain in pursuit of this mission. The Board monitor compliance with government standards and ensure Flotation Energy employees always conduct themselves in line with the high standards set by the board.

S172(1) (F) "The need to act fairly as between members of the company

After weighing up relevant factors, the Directors consider which course of action best enables delivery of our strategic mission. In doing so, our Directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Approved by the Board on 24th February 2023 and signed on its behalf by:

Mr Jonathan Dobson
Director

Flotation Energy Limited (formerly Flotation Energy Plc)

Directors Report for the Year Ended 31 May 2022

The directors present their report and the consolidated financial statements for the year ended 31 May 2022.

Directors of the group
The directors, who held office during the year, were as follows:

Mr Timothy Sawyer
Mr Jonathan Dobson
Lord Nicol Stephen
Mr Toru Fujishiro (appointed 11 November 2022)
Mr Masaki Honda (appointed 11 November 2022)
Mr Shinichiro Ichiyama (appointed 11 November 2022)
Mr Shinsuke Inoue (appointed 11 November 2022)
Mr Martin Gilbert (resigned 11 November 2022)
Mr Allan Macaskill (resigned 11 November 2022)

Results and Dividends
The loss for the year after taxation amounted to £656,243 (2021: loss: £330,412). The Directors recommended a dividend payment during the year of £nil (2021 dividend: £nil).

Health, Safety and Environment
During the year the Group operated a Health, Safety and Environment management system that complies with international regulations and standards (ISO 9001, ISO 14001, ISO 45001). The implementation of this system was finalised in November 2021 and full accreditation achieved in December 2021. The Group's energy consumption is less than 40,000 kWh per year so it is not required to report under Streamlined Energy and Carbon Reporting regulations.

Price risk, credit risk, liquidity risk and cash flow risk
The group's current activities expose it to a number of financial risks during the normal course of business, the major one being a liquidity risk. Further details on this risk are provided in the Strategic report on page 3.

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors
Johnston Carmichael LLP will continue in office as auditor until such time as a resolution to the contrary is passed in accordance with legislation and the Memorandum and Articles of Association.

Approved by the Board on 24th February 2023 and signed on its behalf by:

Mr Jonathan Dobson
Director

Flotation Energy Limited (formerly Flotation Energy Plc)

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 elected to prepare the financial statements in accordance with UK-adopted International Financial Reporting Standards. 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted International Financial Reporting Standards (IFRSs) 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 company will continue in business.

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

Independent Auditor's Report to the Members of Flotation Energy Limited

Opinion

We have audited the financial statements of Flotation Energy Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2022, which comprise the Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, 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 International Financial Reporting Standards (IFRSs) as adopted by United Kingdom.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; 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 Auditor 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 of 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.

Independent Auditor's Report to the Members of Flotation Energy Limited (continued)

Opinion on other matter 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 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 on page 6, 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 is 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.

Auditor 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 an auditor's report that includes our opinion. 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.

Extent to which the audit is considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent Auditor's Report to the Members of Flotation Energy Limited (continued)

Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)
We have obtained an understanding of the legal and regulatory frameworks that are applicable to the group. The most relevant frameworks identified include:

- IFRS
- Companies Act 2006
- Corporation tax legislation

We gain an understanding of how the group is complying with laws and regulations by making enquires with management. We corroborated these enquires through our review of submitted returns, internal reporting and correspondence with regulatory bodies.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. In areas of the financial statements where the risks were higher, we performed procedures to address each identified risk. The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Reviewing the parent company's board minutes for reference to breaches of laws and regulations or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriates, evaluation the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- Agreement of the financial statements disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Flotation Energy Limited (continued)

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 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.

Johnston Carmichael LLP

Solomon Taylor (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP, Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

Date: 27/02/2023

Flotation Energy Limited (formerly Flotation Energy Plc)

Consolidated Statement of Total Comprehensive Income for the Year Ended 31 May 2022

	Note	2022 £	2021 £
Revenue	4	2,040,048	512,936
Cost of sales		(1,515,472)	(24,021)
Gross profit		524,576	488,915
Distribution costs		-	(23,524)
Administrative expenses		(1,179,852)	(799,691)
Operating loss	5	(655,276)	(334,300)
Finance income		8,063	5,269
Finance costs		(9,030)	(1,381)
Net finance (loss) / income	6	(967)	3,888
Loss before tax		(656,243)	(330,412)
Income tax receipt / (expense)	10	-	-
Loss for the year		(656,243)	(330,412)
Other comprehensive income			
Currency translation differences		1,048	-
Total comprehensive expense for the year		(655,195)	(330,412)
Loss attributable to:			
Owners of the company		(655,195)	(330,412)

The above results were derived from continuing operations.

Flotation Energy Limited (formerly Flotation Energy Plc)

(Registration number: SC597702)
Consolidated Statement of Financial Position as at 31 May 2022

	Note	31 May 2022 £	31 May 2021 £
Assets			
Non-current assets			
Property, plant and equipment	11	34,304	16,330
Intangible assets	12	3,747,854	880,531
Other non-current financial assets	14	317,410	164,583
		4,099,568	1,061,444
Current assets			
Trade and other receivables	15	5,975,123	4,695,350
Cash and cash equivalents	16	490,346	803,429
		6,465,469	5,498,779
Total assets		10,565,037	6,560,223
Equity and liabilities			
Equity			
Share capital	18	1,118,823	558,823
Retained earnings	18	(1,145,299)	(490,104)
Equity attributable to owners of the company		(26,476)	68,719
Current liabilities			
Trade and other payables	20	9,945,529	6,441,504
Loans and borrowings	19	645,984	50,000
		10,591,513	6,491,504
Total equity and liabilities		10,565,037	6,560,223

Approved by the Board on 24th February 2023 and signed on its behalf by:

Mr Jonathan Dobson
Director

Flotation Energy Limited (formerly Flotation Energy Plc)

(Registration number: SC597702)
Company Statement of Financial Position as at 31 May 2022

	Note	31 May 2022 £	31 May 2021 £
Assets			
Non-current assets			
Property, plant and equipment	11	30,245	16,330
Intangible assets	12	2,129,995	388,089
Investments in subsidiaries, joint ventures and associates	13	6,452	190
Other non-current financial assets	14	317,410	164,583
		2,484,102	569,192
Current assets			
Trade and other receivables	15	7,371,166	5,227,204
Cash and cash equivalents	16	458,559	764,017
		7,829,725	5,991,221
Total assets		10,313,827	6,560,413
Equity and liabilities			
Equity			
Share capital	18	1,118,823	558,823
Retained earnings	18	(844,651)	(489,914)
Total equity		274,172	68,909
Current liabilities			
Trade and other payables	20	9,393,671	6,441,504
Loans and borrowings	19	645,984	50,000
		10,039,655	6,491,504
Total equity and liabilities		10,313,827	6,560,413

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £354,737 (2021: loss of £330,412).

Approved by the Board on 24th February 2023 and signed on its behalf by:

Mr Jonathan Dobson
Director

Flotation Energy Limited (formerly Flotation Energy Plc)

Consolidated Statement of Changes in Equity for the Year Ended 31 May 2022

	Share capital £	Retained earnings £	Total equity £
At 1 June 2021	558,823	(490,104)	68,719
Loss for the year	-	(656,243)	(656,243)
Currency translation differences	-	1,048	1,048
Total comprehensive expense	-	(655,195)	(655,195)
Issue of preferred ordinary shares	560,000	-	560,000
At 31 May 2022	1,118,823	(1,145,299)	(26,476)

	Share capital £	Retained earnings £	Total equity £
At 1 June 2020	258,823	(159,692)	99,131
Loss for the year	-	(330,412)	(330,412)
Total comprehensive expense	-	(330,412)	(330,412)
Issue of preferred ordinary shares	300,000	-	300,000
At 31 May 2021	558,823	(490,104)	68,719

The notes on pages 18 to 43 form an integral part of these financial statements.

Flotation Energy Limited (formerly Flotation Energy Plc)

Company Statement of Changes in Equity for the Year Ended 31 May 2022

	Share capital £	Retained earnings £	Total £
At 1 June 2021	558,823	(489,914)	68,909
Loss for the year	-	(354,737)	(354,737)
Total comprehensive income	-	(354,737)	(354,737)
Issue of preferred ordinary shares	560,000	-	560,000
At 31 May 2022	1,118,823	(844,651)	274,172

	Share capital £	Retained earnings £	Total £
At 1 June 2020	258,823	(159,502)	99,321
Loss for the year	-	(330,412)	(330,412)
Total comprehensive income	-	(330,412)	(330,412)
Issue of preferred ordinary shares	300,000	-	300,000
At 31 May 2021	558,823	(489,914)	68,909

Flotation Energy Limited (formerly Flotation Energy Plc)

Consolidated Statement of Cash Flows for the Year Ended 31 May 2022

	Note	2022 £	2021 £
Cash flows used in operating activities			
Loss for the year		(656,243)	(330,412)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	12,188	2,910
Finance income	6	(8,063)	(5,269)
Finance costs	6	9,030	1,381
		(643,088)	(331,390)
Working capital adjustments			
Increase in trade and other receivables	15	(1,279,772)	(4,227,608)
Increase in trade and other payables	20	1,632,145	3,599,784
Net cash flow used in operating activities		(290,715)	(959,214)
Cash flows used in investing activities			
Interest received	6	8,063	5,269
Acquisitions of property plant and equipment	11	(28,432)	(14,854)
Acquisition of intangible assets	12	(2,787,218)	(632,337)
Advances of loans, classified as investing activities	21	(152,827)	(100,269)
Net cash flows used in investing activities		(2,960,414)	(742,191)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs	18	560,000	300,000
Proceeds from other borrowing drawdowns	21	1,790,000	2,090,000
Foreign exchange gains	6	-	(1,381)
Interest paid on other borrowings	19	(3,005)	-
Repayment of bank loans	19	(9,997)	-
Proceeds from loans	19	599,956	-
Net cash flows from financing activities		2,936,954	2,388,619
Net (decrease) / increase in cash and cash equivalents		(314,175)	687,214
Cash and cash equivalents at 1 June		803,429	116,215
Exchange gains on cash and cash equivalents		1,092	-
Cash and cash equivalents at 31 May		490,346	803,429

The notes on pages 18 to 43 form an integral part of these financial statements.

Flotation Energy Limited (formerly Flotation Energy Plc)

Company Statement of Cash Flows for the Year Ended 31 May 2022

	Note	2022 £	2021 £
Cash flows used in operating activities			
Loss for the year		(354,737)	(330,412)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	11,553	2,910
Finance income	6	(8,048)	(5,269)
Finance costs	6	7,161	1,381
		(344,071)	(331,390)
Working capital adjustments			
Increase in trade and other receivables	15	(2,143,962)	(4,759,462)
Increase in trade and other payables	20	1,162,167	3,599,784
Net cash flow used in operating activities		(1,325,866)	(1,491,068)
Cash flows used in investing activities			
Interest received	6	8,048	5,269
Acquisitions of property plant and equipment	11	(23,923)	(14,854)
Acquisition of intangible assets	12	(1,743,451)	(139,895)
Advances of loans, classified as investing activities	21	(152,827)	(100,269)
Acquisition of investments in subsidiaries	13	(6,262)	-
Net cash flows used in investing activities		(1,918,415)	(249,749)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs	18	560,000	300,000
Proceeds from other borrowing drawdowns	21	1,790,000	2,090,000
Foreign exchange gains	6	-	(1,381)
Interest paid on other borrowings	19	(1,136)	-
Repayment of bank loans	19	(9,997)	-
Proceeds from loans	19	599,956	-
Net cash flows from financing activities		2,938,823	2,388,619
Net (decrease) / increase in cash and cash equivalents		(305,458)	647,802
Cash and cash equivalents at 1 June		764,017	116,215
Cash and cash equivalents at 31 May		458,559	764,017

The notes on pages 18 to 43 form an integral part of these financial statements.

1 General information

The company is a public company limited by share capital, incorporated and domiciled in Scotland.

The address of its registered office is:
12 Alva Street
Edinburgh
EH2 4QG
United Kingdom

2 Accounting policies

Statement of compliance
The group financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRS").

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The financial statements have been prepared in accordance with UK-adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The functional and presentational currency of the Group is British Pounds Sterling. The amounts in the financial statements have been presented in Pounds with rounding to the nearest Pound.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 May 2022 reporting periods and have not been early adopted by the Group and the Company.

Going concern
At the time of approving the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group has received a letter of financial support from its parent company, TEPCO Renewable Power, Inc., stating its current intention to continue to provide such funding to the Company and the Group as is necessary to enable the Company and Group to continue in operational existence and to meet their liabilities as they fall due for the foreseeable future. Although this support is not guaranteed, the directors are confident that the support will continue to be made available and that TEPCO Renewable Power, Inc. has the financial means necessary to provide this support.

Having considered the Group's financial projections together with the above confirmed financial support, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2 Accounting policies (continued)

Basis of consolidation
The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 May 2022.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The group's investment in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate are prepared for the same reporting period as the group.

2 Accounting policies (continued)

Revenue recognition

Recognition

The group earns revenue from the provision of services relating to recharging to partners the costs of obtaining licences for electricity generation. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when or as the entity satisfies its performance obligations.

The main performance obligations in contracts consist of technical services provided under a Development Services Agreement. For all contracts the stage of completion and delivery of performance obligations are measured at the balance sheet date by tracking the work performed under the relevant Development Services Agreement and invoicing the customer based on the agreed rates within the Development Services Agreement.

The group is an agent if a performance obligation is to arrange for the provision of the goods or services by another party which the group does not control. Revenue from an agency relationship is recognised on the net basis equal to the consideration the group retains after paying fees to the party providing such goods or services.

Contract modifications

The group's contracts can be amended for changes in contract specifications and requirements. Contract modification exists when the amendment either creates new or changes the existing enforceable rights and obligations.

Foreign currency transactions and balances

The Group's consolidated financial statements are presented in British pounds sterling, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group consolidates the financial statements of subsidiaries on a line by line basis, and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2 Accounting policies (continued)

Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2 Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
IT equipment	3 years straight line

Intangible assets
Intangible assets are recognised for internally generated development costs which fulfil the criteria for capitalisation. The Group capitalises such costs when it can demonstrate: the technical feasibility of completing the asset so that it will be available for use or sale; its intention to complete and use or sell the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; the ability to measure reliably the expenditure during development. Government grant income relating to development costs is offset against the cost of intangible assets.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Internally generated development costs	25 – 60 years straight line

Investments
For Flotation Energy Limited company only accounts, investments in securities, including shares in subsidiaries and associates, are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are presented separately from cash and cash equivalents as a current liability.

2 Accounting policies (continued)

Trade receivables and other loans receivable

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is accounted for under the framework relating to expected credit losses under IFRS 9.

Trade payables

Trade payables are obligations to pay for goods or 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases

Short term and low value leases

The group has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The group has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Impairment of non-financial assets

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds

2 Accounting policies (continued)

its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all cash, receivables and payables in the statement of financial position.

The group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

2 Accounting policies (continued)

The classification and the basis for measurement are subject to the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets

The group derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the group is recognised as a separate asset or liability.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The group recognises loss allowances for expected credit losses (ECL) on trade receivables and loans receivable.

The group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the group recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the group recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the group recognises the lifetime ECL.

The group measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the group on terms that the group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

For trade receivables, the group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and judgements that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates is principally limited to the determination of provisions for impairment of financial instruments and accounting for the loan.

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition. The Group's trade receivables are with a limited number of customers, therefore expected loss rates are based on an analysis of each customer's ability to meet its debt.

Critical accounting judgements relate to capitalisation of internally generated development costs and recoverability of receivable from the associate company.

Accounting for the loan

As the number of shares to be issued to the lender of the loan is variable, full amount of the loan was recognised as a liability. There are no embedded derivatives to be recognised as the variability in return to the lender is closely related to the amortised cost of the loan.

Capitalisation of internally generated development costs

Accounting judgement is required in determining whether expenditure relating to the development of a project constitutes an intangible asset, i.e., it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably; or if this expenditure pertains to a research phase of the project and therefore should be expensed. The group has processes and controls to evaluate the classification of such expenditure. £2,947,411 (2021: 632,337) of development costs were capitalised during the year. This includes costs incurred in the bidding and consent phases of projects, where the directors have assessed that a successful outcome is more likely than not.

Recoverability of receivable from Associate Company

The £4,475,184 (2021: £4,475,184) receivable from the associate company Offshore Wind Limited is unsecured, interest free and repayable on demand. It is in respect of the Offshore Wind Round 4 Option to Lease Fee for the 480MW Morecambe site in the Irish Sea paid which was partly paid by Flotation Energy Limited on behalf of Offshore Wind Limited. Having assessed the position, the directors are confident the amounts will be recovered from Offshore Wind Limited, which will hold the Morecambe Option to Lease.

4 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2022 £	2021 £
Rendering of services	2,040,048	512,936

5 Operating loss

Arrived at after charging/(crediting)

	2022 £	2021 £
Depreciation expense	10,643	2,910
Amortisation expense	1,545	-
Expense relating to short-term leases	33,711	24,021
Foreign exchange gains	50,524	-

6 Finance income and costs

	2022 £	2021 £
Finance income		
Other finance income	8,063	5,269
Finance costs		
Foreign exchange losses	-	(1,381)
Interest on bank loans	(3,005)	-
Interest on convertible loans	(6,025)	-
Net finance (loss) / income	(967)	3,888

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022 £	2021 £
Wages and salaries	1,587,466	565,610
Social security costs	179,049	55,051
Pension costs, defined contribution scheme	168,207	48,100
	1,934,723	668,761

During the year £200,185 of payroll costs have been capitalised.

7 Staff costs (continued)

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
Research and development	29	6
Directors	5	4
	34	10

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Remuneration	210,992	293,373
Contributions paid to defined contribution pension schemes	21,534	23,524
	232,526	316,897

In respect of the highest paid director:

	2022 £	2021 £
Remuneration	120,000	167,748
Contributions paid to defined contribution pension schemes	12,000	-
	132,000	167,748

£104,870 (2021: £100;874) of directors' remuneration was capitalised in the period.

Information on the remuneration of key management personnel is not provided separately as only the directors are considered to be key management personnel.

9 Auditors' remuneration

	2022 £	2021 £
Audit of these financial statements	25,250	26,000

10 Income tax – To be updated

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are reconciled below:

	2022 £	2021 £
Loss before tax	(656,243)	(330,412)
Corporation tax at standard rate	(124,686)	(62,778)
Deferred tax expense from unrecognised tax loss or credit	124,686	62,778
Total tax charge/(credit)	-	-

The Group had gross UK corporation tax losses carried forward of £971k at 31 May 2022 (2021: £650k). No deferred tax asset has been recognised on these losses due to uncertainty around the generation of future taxable profits that will utilise these losses.

In the 2021 Spring Budget it was announced that the rate of UK corporation tax would increase from 19% to 25% from April 2023 onwards.

11 Property, plant and equipment

Group

	IT Equipment £	Total £
Cost		
At 1 June 2020	6,776	6,776
Additions	14,854	14,854
At 31 May 2021	21,630	21,630
At 1 June 2021	21,630	21,630
Additions	28,432	28,432
Retranslation	215	215
At 31 May 2022	50,277	50,277
Depreciation		
At 1 June 2020	2,391	2,391
Charge for the year	2,909	2,909
At 31 May 2021	5,300	5,300
At 1 June 2021	5,300	5,300
Charge for the year	10,643	10,643
Retranslation	30	30
At 31 May 2022	15,973	15,973
Carrying amount		
At 31 May 2022	34,304	34,304
At 31 May 2021	16,330	16,330
At 1 June 2020	4,385	4,385

11 Property, plant and equipment (continued)

Company

	IT Equipment £	Total £
Cost		
At 1 June 2020	6,776	6,776
Additions	14,854	14,854
At 31 May 2021	21,630	21,630
At 1 June 2021	21,630	21,630
Additions	23,923	23,923
At 31 May 2022	45,553	45,553
Depreciation		
At 1 June 2020	2,391	2,391
Charge for the year	2,909	2,909
At 31 May 2021	5,300	5,300
At 1 June 2021	5,300	5,300
Charge for the year	10,008	10,008
At 31 May 2022	15,308	15,308
Carrying amount		
At 31 May 2022	30,245	30,245
At 31 May 2021	16,330	16,330
At 1 June 2020	4,385	4,385

12 Intangible assets

Group

	Development costs £	Website £	Total £
Cost			
At 1 June 2020	248,194	-	248,194
Additions	632,337	-	632,337
At 31 May 2021	880,531	-	880,531
At 1 June 2021	880,531	-	880,531
Additions	2,782,068	5,150	2,787,218
Retranslation	81,650	-	81,650
At 31 May 2022	3,744,249	5,150	3,749,399

12 Intangible assets (continued)

	Development costs £	Website £	Total £
Amortisation			
At 1 June 2021	-	-	-
Charge for the year	-	1,545	1,545
At 31 May 2022	-	1,545	1,545
Carrying amount			
At 31 May 2022	3,744,249	3,605	3,747,854
At 31 May 2021	880,531	-	880,531
At 1 June 2020	248,194	-	248,194

Company

	Development costs £	Website £	Total £
Cost			
At 1 June 2020	248,194	-	248,194
Additions	139,895	-	139,895
At 31 May 2021	388,089	-	388,089
At 1 June 2021	388,089	-	388,089
Additions	1,738,301	5,150	1,743,451
At 31 May 2022	2,126,390	5,150	2,131,540
Amortisation			
At 1 June 2021	-	-	-
Charge for the year	-	1,545	1,545
At 31 May 2022	-	1,545	1,545
Carrying amount			
At 31 May 2022	2,126,390	3,605	2,129,995
At 31 May 2021	388,089	-	388,089
At 1 June 2020	248,194	-	248,194

12 Intangible assets (continued)

Capitalised development costs relate to planning, environmental, and other costs incurred in the development of offshore wind farm projects, including costs incurred during the bidding and consenting phase, where appropriate.

Capitalised development costs have not yet been completed and therefore the amortisation of these assets has not yet begun. Consequently, no amortisation charge has been recognised in the income statement.

13 Investments

Group subsidiaries

Details of the group subsidiaries as at 31 May 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held
Flotation Energy Pty Ltd*	Development of offshore wind farm sites	Suite 4a, E Shed, Port of Fremantle, Fremantle, Western Australia 6160 Australia	100%
Flotation Energy Taiwan Ltd*	Development of offshore wind farm sites	16F, No. 89, Songren Road, Xinyi, Taipei City 110413,Taiwan (R.O.C.) Taiwan	100%
Green Volt Holdco Ltd*	Holding entity	22 Rubislaw Den South, Aberdeen, AB15 4BB United Kingdom	100%
Green Volt Offshore Wind Farm Ltd	Production of electricity	22 Rubislaw Den South, Aberdeen, AB15 4BB United Kingdom	100%
Flotation Energy Japan Co. Ltd*	Development of offshore wind farm sites	9-38 Higashi Bandai cho,Chuo ku, Niigata Prefecture Japan	100%

* indicates direct investment of the company

All investments in subsidiaries are held in the form of ordinary shares.

Flotation Energy Pty Ltd prepares its financial statements to June and Flotation Energy Taiwan Ltd prepares its financial statements to December. Results of these subsidiaries to 31 May were used for the consolidated financial statements of the Group.

Green Volt Holdco Ltd has taken the exemption in section 479A of the Companies Act 2006 (the Act) from the requirement in the Act for their individual accounts to be audited. In order for Green Volt Holdco Ltd to take the audit exemption in section 479A of the Companies Act 2006, the Company has guaranteed all outstanding liabilities of this subsidiary company at 31 May 2022 until those liabilities are satisfied in full.

13 Investments (continued)

The following subsidiaries were incorporated during the year and are currently dormant:

Name of subsidiary	Registered office	Proportion of ownership interest and voting rights held
Blackwater Offshore Wind Holdco Limited	(a)	100%
Blackwater OWL Windfarm Limited	(c)	100%
Cenos Holdco Ltd	(b)	100%
Cenos Offshore Windfarm Ltd	(b)	100%
Greystones Offshore Wind Holdco Limited	(a)	100%
Greystones OWL Windfarm Limited	(c)	100%
Morecambe Offshore Windfarm Ltd	(a)	100%
Morecambe Offshore Wind Holdo Ltd	(a)	100%
White Cross Offshore Windfarm Ltd	(a)	100%
White Cross Offshore Wind Holdco Ltd	(a)	100%

The registered offices are as follows:
(a) 12 Alva Street, Edinburgh, EH2 4QG, United Kingdom
(b) 22 Rubislaw Den South, Aberdeen, AB15 4BB, United Kingdom
(c) 1WML, 1 Windmill Lane, Dublin 2, Dublin, D02 F206, Ireland

13 Investments (continued)

Group associates

Details of the group associates as at 31 May 2022 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held
Offshore Wind Ltd	Development of offshore wind farm sites	1 St Peter's Square Manchester M2 3DE United Kingdom	19%

The associate is accounted for using the equity method. The investment in the associate is in the form of ordinary shares.

Offshore Wind Ltd

The Group has a veto right over the decisions concerning the financial management of the investee and has consequently concluded that the Group exerts significant influence.

The financial period end for Offshore Wind Ltd is 31 December 2021.

In applying the equity method of accounting, this year end was used with appropriate adjustments made for the effects of significant transactions which occurred between this date and 31 May 2022.

Unrecognised share of losses	2022 £	2021 £
Unrecognised share of loss for the year	(39,009)	(95,178)
Cumulative share of loss for Offshore Wind Ltd	(232,566)	(193,557)

Summary of company investments

	2022 £	2021 £
Investments in associates	190	190
Investments in subsidiaries	6,262	-
	6,452	190

13 Investments (continued)

Associates	**£**
At 1 June 2020	190
At 31 May 2021	190
At 31 May 2022	190

Subsidiaries	
At 1 June 2020	-
At 31 May 2021	-
Additions	6,262
At 31 May 2022	6,262

Carrying amount	
At 31 May 2022	6,452
At 31 May 2021	190
At 1 June 2020	190

14 Other financial assets

Group

	Note	2022 £	2021 £
Non-current financial assets			
Loan to associate	21	317,410	164,583

Company

	Note	2022 £	2021 £
Non-current financial assets			
Loan to associate	21	317,410	164,583

15 Trade and other receivables

Group

	Note	2022 £	2021 £
Trade receivables		132,142	141,486
Receivables from related parties	21	4,475,184	4,475,184
Prepayments		12,637	5,610
Other receivables		1,355,160	73,070
		5,975,123	4,695,350

Company

	Note	2022 £	2021 £
Trade receivables		132,236	141,486
Receivables from related parties	21	6,216,413	5,007,038
Prepayments		5,478	5,610
Other receivables		1,017,039	73,070
		7,371,166	5,227,204

16 Cash and cash equivalents

Group

	2022 £	2021 £
Cash at bank	490,346	803,429

Company

	2022 £	2021 £
Cash at bank	458,559	764,017

17 Share-based payment transactions

The Company operates an equity-settled share option scheme. Options vest only if the employee remains in employment with the Company at the vesting date. The options lapse at the end of the day before the tenth anniversary of the grant date. The options vest on a change in ownership of the Company. Options become exercisable upon vesting. Unvested options held by individuals who cease employment are forfeited unless determined by the Board.

	Number of share options	
	2022	2022 £
Outstanding at 1 June 2021	3,300	-
Granted in the period	2,308	5,889
Forfeited in the period	(324)	(2,589)
Exercised in the period	-	-
Outstanding at 31 May 2022	5,284	3,300
Exercisable at 31 May 2022	-	-

All options outstanding at all points in both years had an exercise price of £1. The options outstanding at 31 May 2022 had a remaining contractual life of 8 years (2021: 9 years).

During the year no share-based payment expense was recognised (2021: nil) as the Directors consider that the value of the share options is not material to these financial statements.

18 Share capital and reserves

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	58,823	58,823	58,823	58,823
Preferred ordinary shares of £1 each	1,060,000	1,060,000	500,000	500,000
	1,118,823	1,118,823	558,823	558,823

New shares allotted

During the year 560,000 preferred ordinary shares having an aggregate nominal value of £1 were allotted for an aggregate consideration of £560,000. The legal form of this transaction was that liabilities arising from cash advances by directors during the year were then settled by the issue of preferred ordinary shares, but the substance of the transaction is that the cash advanced by the directors was intended from the outset to be share capital, and the treatment in the financial statements is in accordance with this substance.

Rights, preferences and restrictions

Ordinary shares
All ordinary shares rank pari passu with one another.

Preferred ordinary shares
Preferred ordinary shares have priority over ordinary shares on a return of assets on liquidation, reduction of capital, or otherwise, but carry no right to a fixed return or repayment. Preferred ordinary shares do not carry voting rights.

Retained earnings
The retained earnings present the accumulated profits or losses of the Group and Company less distributions made to shareholders.

19 Loans and borrowings

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Current loans and borrowings				
Bank borrowings	40,003	50,000	40,003	50,000
Loans	605,981	-	605,981	-
	645,984	50,000	645,984	50,000

Group

Bank borrowings

The Covid-19 bounce bank loan is denominated in GBP with a nominal interest rate of 0% for the first 12 months, which increases to 2.5% thereafter. Repayment is due in equal monthly instalments from June 2021 to May 2026.

Loans

A loan was received in the form of a facility of up to £600k with interest accruing at 2% per annum. Interest and principal will be repaid by way of converting the outstanding amounts into a 50% share of a new special purpose entity to be incorporated. Repayment will be made during 2023.

20 Trade and other payables

Group

	Note	31 May £	31 May £
Trade payables		1,344,627	72,094
Accrued expenses		410,480	258,454
Amounts due to related parties	21	4,430,000	2,640,000
Social security and other taxes		91,632	93,342
Outstanding defined contribution pension costs		35,214	7,039
Other payables		3,633,576	3,370,575
		9,945,529	6,441,504

Company

	Note	31 May £	31 May £
Trade payables		952,153	72,094
Accrued expenses		294,556	258,454
Amounts due to related parties	21	4,430,000	2,640,000
Social security and other taxes		67,343	93,342
Outstanding defined contribution pension costs		29,398	7,039
Other payables		3,620,221	3,370,575
		9,393,671	6,441,504

Other payables are interest free, unsecured and repayable following full receipt of payment from associate company Offshore Wind Limited (see note 21).

21 Related party transactions

Summary of transactions with associates

Offshore Wind Ltd

The Group has a 19% stake in Offshore Wind Ltd, a company incorporated in the UK for the purposes of developing offshore wind farms. The Group has significant influence over the management of Offshore Wind Limited, including the right to appoint directors; consequently the Group has accounted for it as an associate.

Amounts receivable from the associate are unsecured, interest free and repayable on demand.

Income and receivables from related parties

	Associates
2022	**£**
At start of period	4,475,184
Advanced	-
At end of period	4,475,184

	Associates
2021	**£**
At start of period	-
Advanced	4,475,184
At end of period	4,475,184

Loans from related parties

	Key management
2022	**£**
At start of period	2,640,000
Advanced	2,440,000
Repayment	(90,000)
Issue of preferred ordinary shares	(560,000)
At end of period	4,430,000

	Key management
2021	**£**
At start of period	550,000
Advanced	2,390,000
Debt to equity conversion	(300,000)
At end of period	2,640,000

Terms of loans from related parties
Loans from directors are unsecured, interest free and repayable on demand.

21 Related party transactions (continued)

Loans to related parties

2022	Associates £
At start of period	164,583
Advanced	152,827
At end of period	317,410

2021	Associates £
At start of period	64,314
Advanced	100,269
At end of period	164,583

Terms of loans to related parties

The loan to the Group's associate, Offshore Wind Ltd, is in the form of loan notes and has been treated as non-current as the Group does not have the unconditional right to demand repayment within 12 months. The nominal rate of interest is 3.5% per annum.

The amounts have no fixed repayment date and are unsecured.

22 Parent and ultimate parent undertaking

On 1 November 2022, TEPCO Renewable Power, Inc. signed an agreement with the shareholders of Flotation Energy Limited to purchase 100% of its issued shares to TEPCO Renewable Power, Inc. The acquisition was subsequently completed on 11 November 2022 and Flotation Energy Limited became part of the TEPCO Group. Its immediate parent company therefore became TEPCO Renewable Power Inc and its ultimate controlling party became TEPCO Holdings Inc, a company registered in Japan.

23 Events after the reporting period

On 17 October 2022, Flotation Energy Plc re-registered as a private limited company and became Flotation Energy Limited.

On 11 November 2022, the Company issued 4,809 Ordinary shares of £1 each.
On 18 November 2022, the Company issued 10,882,454 Ordinary shares of £1 each.
On 4 January 2023 the Company issued 9,634,854 shares of £1 each.

Since the year end, all external loans have been repaid and the company has received capital injections from its new parent undertaking.