

Company Registration No. SC249331 (Scotland)

THE EUROPEAN MARINE ENERGY CENTRE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017
PAGES FOR FILING WITH REGISTRAR

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THE EUROPEAN MARINE ENERGY CENTRE LIMITED

COMPANY INFORMATION

Directors	R Chapman A Gray N Kermode A Mill D Ritch S Young	(Appointed 31 May 2017) (Appointed 1 July 2017)
Secretary	D Ritch	
Company number	SC249331	
Registered office	Old Academy Business Centre Back Road Stromness Orkney KW16 3AW	
Auditor	A J B Scholes Ltd 8 Albert Street Kirkwall Orkney KW15 1HP	
Bankers	Bank of Scotland 56 Albert Street Kirkwall Orkney KW15 1HJ	
Solicitors	Lows 5 Broad Street Kirkwall Orkney KW15 1DH Maclay Murray & Spens LLP 151 St Vincent Street Glasgow G2 5NJ	

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

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THE EUROPEAN MARINE ENERGY CENTRE LIMITED

BALANCE SHEET

AS AT 30 JUNE 2017

		2017		2016 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	3		138,158		195,704
Tangible assets	4		6,568,355		6,319,571
Current assets					
Debtors	5	1,408,621		2,697,226	
Cash at bank and in hand		3,229,339		2,346,770	
		<u>4,637,960</u>		<u>5,043,996</u>	
Creditors: amounts falling due within one year	6	<u>(361,895)</u>		<u>(613,118)</u>	
Net current assets			<u>4,276,065</u>		<u>4,430,878</u>
Total assets less current liabilities			<u>10,982,578</u>		<u>10,946,153</u>
Creditors: amounts falling due after more than one year	7		(28,000)		(36,000)
Provisions for liabilities	8		(939,484)		(374,673)
Deferred income	10		(6,640,504)		(7,304,050)
Net assets			<u><u>3,374,590</u></u>		<u><u>3,231,430</u></u>
Reserves					
Other reserves	12	2,950,000		1,950,000	
Income and expenditure account		424,590		1,281,430	
Members' funds			<u><u>3,374,590</u></u>		<u><u>3,231,430</u></u>

The directors of the company have elected not to include a copy of the income and expenditure account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 28/11/17 and are signed on its behalf by:



D Ritch
Director

Company Registration No. SC249331

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Company information

The European Marine Energy Centre Limited is a private company limited by guarantee incorporated in Scotland. The registered office is Old Academy Business Centre, Back Road, Stromness, Orkney, KW16 3AW.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 30 June 2017 are the first financial statements of The European Marine Energy Centre Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 July 2015. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note .

1.2 Income and expenditure

Income and expenses are included in the financial statements as they become receivable or due.

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Berth fee income is recognised evenly over the period of the lease.

Income from research and consultancy arises over the course of the respective contract as the company satisfies its contractual obligations.

Turnover includes amounts charged to developers for the transfer of contractual decommissioning obligations to the company.

1.3 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	25% - 33% straight line basis
Property leases	2% - 10% straight line basis
Development costs	25% straight line basis

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% - 10% straight line basis
Land and buildings Leasehold	8% - 10% straight line basis
Plant and machinery	3% - 33% straight line basis
Fixtures, fittings & equipment	20% straight line basis
Computer equipment	33% straight line basis
Motor vehicles	25% straight line basis

Assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to surplus or deficit.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, and other short-term liquid investments.

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 surplus or deficit.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is 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 surplus or deficit.

Classification of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.9 Taxation

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

Current tax

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

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

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

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in surplus or deficit in the period in which it arises.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

The company contributes to personal pension plans for the benefit of employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.13 Leases

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

Rental income from operating leases is recognised in turnover on a straight line basis over the term of the relevant lease.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 28 (2016 - 30).

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

3 Intangible fixed assets

	Software £	Property leases £	Development costs £	Total £
Cost				
At 1 July 2016	321,251	82,581	17,885	421,717
Additions - internally developed	31,140	-	-	31,140
Additions - separately acquired	21,788	-	-	21,788
At 30 June 2017	374,179	82,581	17,885	474,645
Amortisation and impairment				
At 1 July 2016	201,920	6,758	17,335	226,013
Amortisation charged for the year	107,385	2,814	275	110,474
At 30 June 2017	309,305	9,572	17,610	336,487
Carrying amount				
At 30 June 2017	64,874	73,009	275	138,158
At 30 June 2016	119,331	75,823	550	195,704

4 Tangible fixed assets

	Land and buildings £	Plant and machinery etc £	Total £
Cost			
At 1 July 2016 - as restated	354,524	18,955,428	19,309,952
Additions	747,455	224,083	971,538
Disposals	-	(906,785)	(906,785)
At 30 June 2017	1,101,979	18,272,726	19,374,705
Depreciation and impairment			
At 1 July 2016 - as restated	71,347	12,919,034	12,990,381
Depreciation charged in the year	16,525	696,230	712,755
Eliminated in respect of disposals	-	(896,785)	(896,785)
At 30 June 2017	87,872	12,718,478	12,806,350
Carrying amount			
At 30 June 2017	1,014,107	5,554,248	6,568,355
At 30 June 2016 - as restated	283,177	6,036,394	6,319,571

The company occupies certain property under the terms of a finance lease.

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

5 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Service charges due	366,369	2,370,973
Other debtors	1,022,120	312,334
	<u>1,388,489</u>	<u>2,683,307</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>20,132</u>	<u>13,919</u>
Total debtors	<u>1,408,621</u>	<u>2,697,226</u>

6 Creditors: amounts falling due within one year

	2017 £	2016 as restated £
Trade creditors	83,905	52,321
Other taxation and social security	74,435	388,700
Other creditors	203,555	172,097
	<u>361,895</u>	<u>613,118</u>

7 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Obligations under finance leases	<u>28,000</u>	<u>36,000</u>

8 Provisions for liabilities

	2017 £	2016 as restated £
Decommissioning	<u>939,484</u>	<u>374,673</u>

The company recognises a provision for the estimated cost of decommissioning when there is a contractual or constructive obligation to decommission specific test sites.

Releases to the profit and loss during the year consist of differences between the actual costs of decommissioning specific test sites and the previous estimates of those costs.

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

8 Provisions for liabilities

(Continued)

Movements on provisions:

	Decommissioning £
At 1 July 2016 - as restated	374,673
Additional provisions in the year	659,484
Utilisation of provision	(94,673)
At 30 June 2017	<u>939,484</u>

9 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2017 £	Assets 2016 £
Balances:		
Accelerated capital allowances	20,132	12,620
Retirement benefit obligations	-	1,299
	<u>20,132</u>	<u>13,919</u>

10 Deferred income

	2017 £	2016 £
Grants relating to non-current assets	5,406,919	5,069,823
Other deferred income	1,233,585	2,234,227
	<u>6,640,504</u>	<u>7,304,050</u>

Grant funding relating to non-current assets is deferred and released as income over the useful economic life of the associated asset.

Other deferred income includes revenue grant funding and trading income relating to future periods.

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

11 Members' liability

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

12 Other reserves

	Operating reserve £	Special reserve £	Total £
At 1 July 2015	2,150,000	415,000	2,565,000
Transfers to revenue reserves	(395,187)	(219,813)	(615,000)
At 30 June 2016	1,754,813	195,187	1,950,000
Transfers from revenue reserves	975,187	24,813	1,000,000
At 30 June 2017	2,730,000	220,000	2,950,000

The company makes transfers to strategic reserves, including the operating reserve, from time to time, as agreed by the directors. These funds are held by the company for the following purposes:

1. To provide emergency funding to repair/replace assets to ensure continuity of services to clients that the company is contractually obliged to provide.
2. To provide emergency liquidity to keep the business afloat due to an unplanned or sudden deterioration in trading activity or to provide short term operational cash flow support due to the timing of operational issues.

Included in the operating reserve was £682k of pre-financing on grant funded projects.

13 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.
The senior statutory auditor was Ivan Houston.
The auditor was A J B Scholes Ltd.

THE EUROPEAN MARINE ENERGY CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

14 Financial commitments, guarantees and contingent liabilities

The company leases seabed sites from The Crown Estate. The company is required to return the seabed to its original state at the end of each lease. Developers who sign an agreement to test their marine energy converter (MEC) at EMEC facilities normally assume a contractual obligation to decommission their MEC and restore the Marine Test Facilities (including without limitation the seabed, and any other affected property of EMEC), and must make good all physical damage occasioned by the removal of the MEC in accordance with a Decommissioning Plan to the satisfaction of EMEC and shall leave the Marine Test Facilities (and any other property of EMEC) in substantially the same condition (fair wear and tear excluded) as it was in prior to commencement of the Installation and Testing Works.

Provision has been made for EMEC's decommissioning and the appropriate licences and consents for its operations have been obtained. EMEC permits developers to access its site in order for them to undertake their activities. The acquisition of the consents for such operations is a matter between the regulators and the developer. The directors are therefore firmly of the opinion that the responsibility for ensuring decommissioning provision for projects sits squarely with the UK government as the regulator.

In certain circumstances a contract with a developer may subsequently be varied so that, in return for a consideration, EMEC will accept the obligation to decommission a specific test site. In such circumstances, provision is made for the estimated cost of decommissioning the site in question.

15 Operating lease commitments

Lessee

The company is party to leases for the rental of certain land and property.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

2017	2016
£	£
432,450	502,099

16 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017	2016
	£	£
Acquisition of tangible fixed assets	49,091	23,416

17 Non-audit services provided by auditor

In common with many businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.