Company Registration No. SC717021 (Scotland)

# ORBITAL PROJECTS 2 LIMITED

## FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

## PAGES FOR FILING WITH REGISTRAR

# ORBITAL PROJECTS 2 LIMITED

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# ORBITAL PROJECTS 2 LIMITED

## BALANCE SHEET

### *AS AT 31 DECEMBER 2023*

| | Notes | 2023 £ | £ | 2022 £ | £ |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Debtors | **3** | 1 | | 1 | |
| **Creditors: amounts falling due within one year** | **4** | (5,788) | | (2,150) | |
| **Net current liabilities** | | | (5,787) | | (2,149) |
| **Capital and reserves** | | | | | |
| Called up share capital | **5** | | 1 | | 1 |
| Profit and loss reserves | **6** | | (5,788) | | (2,150) |
| **Total equity** | | | (5,787) | | (2,149) |

The directors of the company have elected not to include a copy of the profit and loss 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 27 June 2024 and are signed on its behalf by:

Mr C Milne
**Director**

**Company Registration No. SC717021**

## 1 Accounting policies

**Company information**

Orbital Projects 2 Limited is a private company limited by shares incorporated in Scotland. The registered office is Innovation Centre, Orkney Hatston Pier Road, Kirkwall, United Kingdom, KW15 1ZL.

### 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.

**1 Accounting policies** **(Continued)**

**1.2 Going concern**

In adopting the going concern basis for preparing these financial statements, the Board has considered the Company and wider Orbital group's business activities, together with factors likely to affect its future development, its performance and principal risks and uncertainties.

In assessing whether the financial statements should be prepared on a going concern basis, the Directors have considered a period of twelve months from the date of approval of these financial statements. The material uncertainty, which may impact the company's ability to meet its liabilities as they fall due, is the company's reliance upon it's ultimate parent company, Orbital Marine Power Limited (Orbital), for support.

The Directors clearly disclose here that as a technology development company, Orbital continues to rely largely on equity investment, grant awards and income from project SPV's that have secured project level financing, to meet its ongoing funding requirements. At the date of signing, similar to previous years, further sources of funding will be pursued within the next twelve months to support the ongoing commercialisation and growth strategy of the Orbital business.

A funding package of £4.5m was secured through existing stakeholders in Q1 2024 to accelerate and deliver the short term business and strategic objectives of Orbital. Orbital is also eligible to drawdown already secured funds through the Horizon 2020: Forward 2030 Green Deal award to support the design and build of its next generation tidal turbine. In addition to this, significant additional funding was recently secured through the Maxblade and EURO-TIDES projects, both programmes funded by the European Union and UK Research and Innovation, which specifically aim to deliver a range of innovations to improve the performance of tidal turbines and reduce costs. These important programmes will support the design and build of Orbital's next generation tidal turbine.

In addition to already secured funding noted above, the Orbital group of companies will be seeking to secure project finance in the project entities (project SPV's) that have secured four 15 year contracts for difference (CfD's) from the UK government in Auction Rounds 4 and 5 (both project debt and equity from the sale of equity positions in project SPV's). Orbital have secured contracts (for varying volumes of capacity) that could support raising over £100,000,000 of project finance to build the contracted projects. It should be noted that all four, some, or none of the projects could proceed, with no single project or contract being in any way contingent on any other projects outcome. This project finance, if secured through its currently 100% owned project SPV's, would become sales revenue to Orbital Marine Power Limited over the construction and delivery phase of the engineering, procurement and construction (EPC) contracts between Orbital Marine Power Limited and the project SPV's. To support delivery of these projects and further grow it existing sales pipeline. Orbital Marine Power Limited will also seek to raise new equity investment through the end of 2024 / early 2025. Discussions and due diligence is underway with specific project funders and a strategy, process and advisors are about to be selected for the Orbital Marine Power Limited equity process. Despite significant success at securing both project finance and equity funding up to this point, there can be no guarantee of success when looking to raise project finance or new equity. As such, the events and conditions described may cast significant doubt on the company's ability to continue to benefit from financial support of its parent company and as such, its ability to continue as a going concern.

The Directors have assessed the year end and post year end cash position of the Orbital and its group of companies, the grant awards secured, plus progress being made for ongoing growth equity and project finance fundraising.

The Directors are encouraged by the significant positive commercial progress being made by the company and group and are confident that the existing and forecast cash runway is sufficient to meet liabilities and forecast costs for a period of time that allows additional and ongoing investment to be secured for Orbital and its group companies.

**1 Accounting policies** **(Continued)**

As such, the Directors have concluded that given the commercial success of Orbital in securing UK Contracts for Difference in Auction Round's 4 and 5, the operational performance of the O2 turbine, the successful equity and debt fundraising completed in 2021, 2022 and Q1 2024, plus ongoing success in securing significant grant funded program awards, it is appropriate to continue to adopt the going concern basis of accounting for the preparation of these annual accounts.

These financial statements do not include any adjustments to the balance sheet value for assets and their recoverable amounts or to provide further liabilities which may arise if the going concern basis of preparation is inappropriate.

**1.3 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand.

**1.4 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' 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 unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

**1.5 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

**1.6 Taxation**

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

**1 Accounting policies** **(Continued)**

***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.

***Deferred tax***

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.

**2 Employees**

The company has no employees.

Directors are remunerated through the ultimate parent company, Orbital Marine Power Limited.

**3 Debtors**

| | 2023 | 2022 |
|---|---|---|
| **Amounts falling due within one year:** | **£** | **£** |
| Other debtors | 1 | 1 |

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

| | 2023 | 2022 |
|---|---|---|
| | **£** | **£** |
| Amounts owed to group undertakings | 3,588 | - |
| Other creditors | 2,200 | 2,150 |
| | 5,788 | 2,150 |

**5 Called up share capital**

| | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| **Ordinary share capital** | **Number** | **Number** | **£** | **£** |
| **Issued and fully paid** | | | | |
| Ordinary Shares of £1 each | 1 | 1 | 1 | 1 |

5 **Called up share capital** **(Continued)**

Each ordinary share carries one vote and the right to participate in a distribution of capital on winding up, and is not redeemable. All shares rank pari passu.

6 **Profit and loss reserves**

Profit and loss reserves are the cumulative net profits or losses in the Profit and Loss Account.

7 **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.

We draw attention to note 1.2 of the company accounting policy which indicates that the ability of the company to continue as a going concern is subject to material uncertainty around the company's reliance upon it's ultimate parent company, Orbital Marine Power Limited, for support. As stated in Note 1.2, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

The senior statutory auditor was Irvine Spowart and the auditor was Johnston Carmichael LLP.

8 **Related party transactions**

The company has taken advantage of the exemption available in accordance with section 35 of FRS102 section 1A 'Related parties disclosures' not to disclose transactions with wholly owned group companies.

9 **Parent company**

The parent and ultimate controlling party is Orbital Marine Power Limited. The registered office is Innovation Centre, Orkney Hatston Pier Road, Kirkwall, United Kingdom, KW15 1ZL.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.