

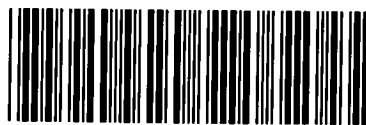
Ceres Power Limited

Annual report and financial statements

Registered number 04222409

30 June 2017

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Directors and advisors

Directors

Mr Philip Caldwell (Chief Executive Officer)
Mr Richard Preston (Chief Finance Officer)
Dr Mark Selby (Chief Technical Officer)
Mr James Falla (Chief Operations Officer)

Company Secretary

Ms Caroline Buchan (appointed 18 October 2016)

Registered office

Viking House
Foundry Lane
Horsham
West Sussex
RH13 5PX

Solicitor

DAC Beachcroft LLP
Portwall Place
Portwall Lane
Bristol
BS99 7UD

Independent Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Banker

National Westminster Bank plc
2nd Floor, Turnpike House
123 High Street
Crawley
West Sussex
RH10 1DQ

Strategic report

The Directors present their strategic report on Ceres Power Limited (“Ceres Power”, “the Company”) for the year ended 30 June 2017.

Review of the Business

Strategy

The Company's strategy is to create a fuel cell for the mass market by embedding the technology in the products of global engineering companies. The Company is targeting the residential, commercial and transportation markets globally with a current focus in Asia, North America and Europe. The Company offers engineering services to help product development and aims to licence the technology and receive royalty income on the product sales.

The Group secured its financial strength to continue its engagement with leading global companies through an equity funding of £20 million by the Company's ultimate parent, Ceres Power Holding plc, in October 2016.

Overview of performance

This has been Ceres Power's most successful year to date with significant commercial, operational and technological progress, further establishing our world-leading position in metal-supported Solid Oxide Fuel Cells (SOFC). Our total revenue and other operating income grew by 140% to £4.1 million. We have secured two further world-class customers including Cummins and an OEM who remains confidential at this point, both of whom are focused on our 5 to 10 kW platforms. This is in addition to the ongoing partnerships with Honda and Nissan, which are progressing well. This progress with partners represents four out of the five joint development agreements which is our stated end-of-2017 target; additionally, we have signed our first 'go-to-market' agreement which includes technology transfer and a licence to our system architecture. We have also further demonstrated the growing maturity of the SteelCell™ platform by successfully completing field trials of 1kW home systems in the UK as part of the ene.field programme, as well as developing larger 5kW stacks to open up new markets.

Commercial Progress

In September 2016, we signed a Joint Development Agreement with Cummins Inc., a global leader in power systems, as part of a consortium backed by the US Department of Energy (US DoE) to develop a multi-kW power system for use in data centres and other commercial and industrial applications. This was our first significant entry into the US market and our first development of a modular multi-kW system. Together, Ceres Power and Cummins will work closely with consortium partners to develop an innovative, modular 10kW Solid Oxide Fuel Cell system which will target high electrical efficiency of 60% and be inherently scalable to meet multiple distributed power applications.

The initial target application will be the fast-growing data centre market which currently accounts for ~3 % of global electricity consumption. Cummins are a global leader in supplying backup and temporary power systems to this market and are an ideal partner for us. I am pleased to say in the first year of this collaboration we have achieved all key milestones.

In December we announced our first 'go-to-market' partnership with a Joint Development License Agreement for a multi-kW combined heat and power (CHP) product targeting applications in the business sector with an OEM who is a market leader in this field. This was our fourth partnership and most notably the first agreement which includes technology transfer and a licence to scale up our 1kW system architecture to a multi-kW scale, which leads to future Steel Cell™ stack supply. Details of this relationship are commercially confidential, but I'm pleased to report the technology transfer of our system architecture has been completed to time and the programme is proceeding to plan. Commercialisation should lead to further revenues for the Company in the form of future royalty payments and SteelCell™ stack supply.

As the majority of our partners are based in Asia or the US it was pleasing to have the opportunity to join the European-wide field testing programme of residential micro-CHP units (ene.field) in partnership with British Gas. We entered this programme in September last year and while we have now successfully completed the formal

Strategic report (continued)

Commercial (continued)

programme which finished at the end of August 2017, we intend to run on a number of units to continue to gather real-world lifetime and durability data.

The field trial programme here in the UK has successfully demonstrated the robustness of the technology to our OEM partners around the world and was a contributory factor in May of this year to us signing a new two-year agreement with an existing OEM partner to jointly develop power systems for residential applications. Recognising decarbonisation of residential heating as a critical success factor for meeting CO₂ reduction targets, the UK Government is supporting our technology through the provision of £0.7 million of funding from BEIS (Department of Business, Energy and Industrial Strategy) and Innovate UK.

In addition to developing new partnerships we have deepened our existing customer relationships with partners like Honda and Nissan. We are now in the second year of our two-year joint stack development with Honda R&D and have hit key deliverables to date. Furthermore, we are working with Nissan UK to develop a 5kW stack which runs on biofuels. This would extend the range of electric vehicles, enabling drivers to experience the same range and refuelling time as a conventional combustion engine vehicle, but with significantly lower carbon and emissions. I'm pleased to say we have met all of the performance targets set by Nissan and are on track to put on test our first 5kW stack by the end of 2017.

Over the past year we have also carried out a series of new Technology Evaluation Agreements with prospective OEMs in Asia and Europe which have advanced to the point of negotiating potential new partnerships. The order book¹ as at 4 October 2017 stands at £3.2 million and we are confident of continued success in 2017/18.

Technology Update

An important focus for our Engineering Department this year has been the development of larger 5kW stacks and modular multi-kW systems to support our customer programmes with Nissan and Cummins and includes data centre, commercial-scale CHP and power-only applications. We have demonstrated a number of firsts, including rapid start-up times, over 3,000 repeated cycles and Ceres Power now has two stack configurations to address the 1kW and 5kW+ markets.

Our Version 4 (v4) technology was officially released to customers in the summer of 2016 and has performed well with the longest running stacks now in operation for more than 18 months. The next generation R&D cells are showing higher efficiency, lower degradation and increased power density.

Our core fuel cell R&D team has a continued focus on improving lifetime and performance and this year has delivered a number of exciting developments around degradation. By unlocking a significant reduction in underlying degradation rate the programme has demonstrated a potential ten-year life. Degradation is not the only factor that is important for lifetime and we have several projects looking at increasing lifetime and reliability at the cell and stack level. Some of these improvements will be brought forward to customers in our v5 platform release next year, as we look to maintain our leadership position in metal-supported solid oxide fuel cells. The technology team has enabled rapid progress with our first 'go-to-market' customer by completing a successful technology transfer. The customer has designed and built its first prototype multi-kW commercial CHP in less than nine months, after a successful transfer of our 1kW SteelGen design.

Furthermore, in support of customer programmes Ceres Power has underscored the fuel flexible potential of the SteelCell™ technology in multiple projects including running Solid Oxide Fuel Cell stacks on fuels as diverse as diesel – without generating SO_x, NO_x or particulates – and pure hydrogen.

¹ Order book is the contracted commercial and grant revenue scheduled to be realised in future years. There is no comparable figure disclosed in the financial statements as this figure represents future anticipated revenue and other operating income in the form of grants. Management use order book as a performance measure as they believe that it is a useful measure to demonstrate the Group's progress towards commercialisation.

Strategic report (continued)

Operations Update

In 2016/17 we manufactured a record number of cells, having invested in manufacturing processes and new equipment during the year and added a third shift to give us additional capacity. The new process technology not only reduces material usage but also increases yield levels.

We are now at a stage where we need to invest in additional manufacturing capacity, particularly for higher power applications, due to a significant increase in customer demand. As such, we are currently evaluating options to invest in further capacity in the UK to ensure the company can deliver against customer demand for the next few years, as well as demonstrating the scalability of our manufacturing to potential partners.

In addition to this investment in near-term additional capacity in the UK and consistent with our long-term strategy we are continuing to discuss potential manufacturing partnerships for high volumes to meet our customer needs locally in different parts of the world.

Financial

This commercial success has put us in a strong financial position. Revenue and other operating income grew 140% to £4.1 million (2015/16: £1.7 million), which was split £3.1 million revenue from customers and £1.0 million from grants and other income. This progress led to a reduction of Operating loss of 10% to £10.4 million (2015/16: £11.5 million) despite the company investing significantly in people, technology and operations to support the strategic growth into higher power applications.

We have had a strong start to the 2017/18 year and our order book for future years has £3.2 million on 4 October 2017, up from £1.7 million last year. We expect to continue to grow top line revenue as we increase our number of new customers and as existing customers progress through from evaluation to product development and to commercial launch. Subject to any investment to increase manufacturing capacity we expect this will translate to a continued improvement in our financial results.

In October 2016 the Group raised £20 million to fund the next stage of the Group's growth through a placing with approximately £10 million from existing institutional investors holding or increasing their position in the Company as well as further new institutional investors. As of June 2017, the Group held £17.2 million cash, cash equivalents and short-term investments, which puts us in a strong position as we look to secure key commercialisation agreements by the end of 2018.

People

Once again, we have been able to attract talented people to join the team at Ceres Power. The growth in the team this year has added to the commercial, engineering and programme delivery side of the business to support our growing number of customer programmes.

I would personally like to thank everyone within the business for their continued contribution towards what has been a very successful year and I am looking forward with confidence to next year.

Outlook

Ceres Power is making good progress against our aim of securing five global engineering companies as customers in Joint Development Agreements by the end of 2017, with the intent to be in two launch programmes with OEM partners by the end of 2018.

We intend to maintain our technology leadership position through continually advancing the performance and maturity of the SteelCell™ and by advancing manufacturing readiness levels and scaling up supply of our core technology to meet customer demand.

Strategic report (continued)

Outlook (continued)

The Company's reputation continues to grow within the industry and the demand for low carbon, flexible, near zero emission technologies such as ours has never been stronger. This is an exciting stage in the Company's growth and I look forward to being able to announce further commercial progress against these objectives in the year ahead.

Risk management process

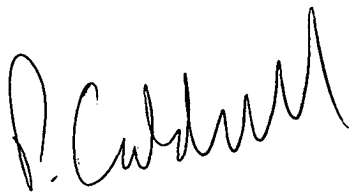
The Board is responsible for the risk framework; they ensure that the Group and Company's ability to achieve its objectives is matched with the risk exposure. However, the Group's risk management programme can only provide reasonable, not absolute, assurance that principal risks are managed to an acceptable level.

The Directors are responsible for identifying, managing and mitigating the risks to the Company. The Ceres Power Holdings plc Audit Committee reviews the processes and controls for ensuring material business risks are identified and managed appropriately. The various Group Board committees review these risks and mitigations. Technical and operational risks are reviewed monthly by the Technical and Operations Committee. These risks, along with financial, commercial and other risks, are reviewed by the Audit Committee twice a year and subsequently put to the Board annually for inclusion in the Annual Report.

Key business risks and mitigations in place are set out as follows:

| Risk | Description | Mitigation | Change |
|---|--|--|-----------|
| <i>Technology</i> | <p>The risk is that we will not be able to successfully develop and apply the Company's fuel cell technology to potential products at the right cost point or performance.</p> <p>The risk that technology is successfully developed but slower than anticipated.</p> <p>The risk that technical failure at customer trials could affect customer sentiment.</p> | <p>Ceres Power's prime focus is to deliver its technology for customers, as well as to continually improve the technology to maintain technological advantage.</p> <p>Targeting new markets that require technical attributes also mitigates the risk.</p> | No Change |
| <i>Competitive and market</i> | <p>The risk is the competitive advantages of our technology are eroded and this impacts the Group's future profitability and growth opportunities.</p> <p>The risk is reducing as the following drivers to risk are becoming more favourable: the development of new markets such as EV recharging and data centres, changing regulations and trends against fossil fuels, obsolescence and emerging and similar technologies.</p> | <p>Our strategy addresses different geographical markets and we have broadened the applications available, mitigating failure in a single market or product.</p> <p>We monitor competitor activity and market developments continuously.</p> | Decrease |
| <i>Intellectual Property protection</i> | <p>The Group's competitive advantage is at risk from successful challenges to its patents, unauthorised parties using the Group's technology in their own products, or others designing around existing IPR.</p> <p>This risk has risen as we increasingly share more of our technology with partners and supply chain, to meet our scale-up objectives, in line with our strategy.</p> | <p>There are internal procedures and controls in place to capture and exploit all Intellectual Property ("IP") as well as to protect, limit and control disclosure to third parties and partners.</p> <p>Contractual provisions with partners and IP insurance provides additional protection to the Group for agreement, pursuit and defence of IP.</p> | Increase |

| Risk | Description | Mitigation | Change |
|---------------------------------|---|---|-----------|
| <i>Commercial</i> | There is a risk that our partners do not use our technology in their products or go to market slower than anticipated. | We continue to increase our pipeline of customers and have expanded market applications, mitigating the risk of individual customers who may not wish to move forward. | No change |
| <i>Operational</i> | There is a risk that the Company is unable to satisfy customer contracts due to supply chain, growth management, short-term manufacturing or technical issues. The impact of this risk has risen as our customers demand a greater proportion of our manufacturing capacity. | We continually monitor our manufacturing processes and resources to best deliver programmes and hold spares, where possible. We work with suppliers to ensure quality and timely delivery. We are currently looking at additional manufacturing options to provide capacity and separate development from production activities. | Increase |
| <i>Key personnel dependence</i> | There is a risk of disruption to operations and damage to the business due to key personnel leaving the business. | The Directors have put in place a long-term incentive scheme (LTIP) and have granted share options to key personnel, which support their competitive remuneration packages and restrictive employment covenants already in place. | No change |
| <i>Supplier dependence</i> | There is a risk that our supply chain partners may be unable or unwilling to co-develop or supply key components. | We continue to work closely with our suppliers and partners aiming to put in place strategic partnerships, where appropriate. | No change |
| <i>Access to capital</i> | It is likely the Group will need additional equity funding to fully commercialise its technology. There is a risk that the Group will be unable to attract such funding. | The Group is targeting meeting its financing needs from a mix of customer revenue, grant funding and tax credits. Equity funding may be sought from institutional, retail or strategic sources to complete any requirements. | No change |



Phil Caldwell
Director
7 November 2017

Directors' report

The Directors present their Directors' Report and the audited financial statements of the Company for the year ended 30 June 2017.

Research and development

During the year, the Company incurred expenditure of £10,119,268 (2016: £10,189,757) on research and development, all of which was written off to the profit and loss account and other comprehensive income. The Strategic Report illustrates the progress made during the year.

Financial instruments

At the end of the year, the Company does not have any complex financial instruments. The financial instruments it does have primarily comprise cash and liquid resources, forward exchange contracts and other various short-term assets and liabilities such as trade debtors and trade creditors which are used to manage the Company's operations.

Results and proposed dividend

The Company made a loss for the financial year of £8,379,883 (2016: £9,353,623).

The directors are unable to recommend the payment of a dividend.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the immediate parent company Ceres Power Intermediate Holdings Ltd and in light of the £19.4 million (net of expenses) raised by the Group in October 2016. The Directors have received confirmation that Ceres Power Intermediate Holdings Ltd intends to support the company for at least 12 months from the date these financial statements are signed.

Our approach to risk

There are a number of risks and uncertainties that could potentially have an impact on the execution of the Group's strategy, as well as on its short-term results. The Directors regularly review the risks facing the Company and the Ceres Power Holdings plc Board is in the process of building on the existing risk framework, which applies to the Company as well as the Group. The Board has identified the risks that are deemed principal to its business due to their potential severity. These principal risks are identified in the Strategic Report, along with the mitigations the Group uses to manage any possible impact.

Financial risk management

The financial risks faced by the Company include credit risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks.

The Company's exposure to credit risk arises from if a counterparty or customer fails to meet its contractual obligations. Trade receivables at the year end relate to four customers (2016: one), of which £369,378 relates to the Europe geographic region and £177,741 to North America (2016: £53,361 related to the Asian geographic region). The Company's customers are generally large multinational companies and are consequentially not considered to add significantly to the Company's credit risk exposure. All trade receivables are due within the agreed credit terms for the current and preceding years and are consequently stated at cost.

The exposure to foreign currency risk is minimalised by the fact that a majority of transactions are carried out in pound sterling. Exposures to foreign currency denominated contracted receivables and commitments arise from the Company's overseas sales and purchases, which are primarily denominated in US dollars, Euros and Japanese yen.

The Company seeks to mitigate its foreign currency exposure by entering into forward currency exchange contracts in accordance with the Group's Treasury Policy.

Forward currency exchange contracts are mainly entered into for significant foreign currency exposures that are not expected to be offset by other currency transactions. The Company's objectives and policies are unchanged in the reporting periods under review.

Directors' report (continued)

Liquidity risk is the risk arising from the Company not being able to meet its financial obligations. The Group manages its liquidity needs by preparing cash flow forecasts, including forecasting of the Company's liquidity requirements, to ensure the Company has sufficient cash to meet its operational needs.

Note 16 in the Annual Report of Ceres Power Holdings plc, which does not form part of this report, highlights the other financial risks faced by the Company and wider Group and how these are managed at a group level.

Directors

The Directors of the Company, who served throughout the year and up to the date of signing the financial statements, unless otherwise shown, are as follows:

Mr Philip Caldwell (Chief Executive Officer)
Mr Richard Preston (Chief Finance Officer)
Dr Mark Selby (Chief Technical Officer)
Mr James Falla (Chief Operations Officer)

The directors benefit from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

Charitable and political contributions

The Company made no charitable or political donations or incurred any political expenditure during the year (2016: £nil).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirmed that so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2 to 6.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board:



Richard Preston
Director
7 November 2017

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Ceres Power Limited

Opinion

We have audited the financial statements of Ceres Power Limited ("the company") for the year ended 30 June 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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.

We have nothing to report in these respects.

Independent auditor's report to the members of Ceres Power Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton road, Crawley
RH11 9PT
7 November 2017

**Profit and Loss Account and Other Comprehensive Income
 for the year ended 30 June 2017**

| | Notes | 2017 £ | 2016 £ |
|---|-------|---------------------|---------------------|
| Turnover | 2 | 3,119,496 | 1,113,320 |
| Cost of sales | | <u>(1,334,251)</u> | <u>(335,694)</u> |
| Gross Profit | | 1,785,245 | 777,626 |
| Other operating income | 3 | 956,825 | 555,403 |
| Operating costs | 4 | <u>(13,147,102)</u> | <u>(12,844,561)</u> |
| Operating loss | | (10,405,032) | (11,511,532) |
| Interest receivable and similar income | | 602 | 516 |
| Loss on ordinary activities before taxation | 4 | <u>(10,404,430)</u> | <u>(11,511,016)</u> |
| Tax on loss on ordinary activities | 7 | 2,024,547 | 2,157,393 |
| Loss for the financial year and total comprehensive loss | | <u>(8,379,883)</u> | <u>(9,353,623)</u> |

The notes on pages 15 to 28 form an integral part of these Financial Statements.

All amounts included in the profit and loss account relate to continuing operations.

Balance Sheet as at 30 June 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 1,913,424 | 2,309,429 |
| Current assets | | | |
| Debtors | 9 | 4,634,966 | 3,412,560 |
| Inventories | 10 | 595,789 | - |
| Cash at bank and in hand | | 1,094,880 | 704,699 |
| | | 6,325,635 | 4,117,259 |
| Creditors: amounts falling due within one year | 11 | (94,886,844) | (85,545,549) |
| Net current liabilities | | (88,561,209) | (81,428,290) |
| Total assets less current liabilities | | (86,647,785) | (79,118,861) |
| Creditors: amounts falling due after more than one year | 12 | - | (31,402) |
| Provisions for liabilities | 13 | (828,000) | (943,897) |
| Net liabilities | | (87,475,785) | (80,094,160) |
| Capital and reserves | | | |
| Called up share capital | 15 | 4,176 | 4,176 |
| Share premium account | | 9,547,273 | 9,547,273 |
| Profit and loss account | | (97,027,234) | (89,645,609) |
| Total shareholders' deficit | | (87,475,785) | (80,094,160) |

The notes on pages 15 to 28 form an integral part of these Financial Statements.

The financial statements on pages 12 to 28 were approved by the board of Directors on 7 November 2017 and were signed on its behalf by:



Richard Preston
Director

Ceres Power Limited
Registered Number: 04222409

Statement of Changes in Equity for the year ended 30 June 2017

| | Share capital | Share premium account | Profit and loss account | Total |
|--|---------------|-----------------------|-------------------------|---------------------|
| Note | £ | £ | £ | £ |
| At 1 July 2015 | 4,176 | 9,547,273 | (81,293,699) | (71,742,250) |
| Comprehensive income | | | | |
| Loss for the financial year and total comprehensive loss | - | - | (9,353,623) | (9,353,623) |
| Total comprehensive loss | - | - | (9,353,623) | (9,353,623) |
| Transactions with owners | | | | |
| Share-based payment charge | 4 | - | 1,001,713 | 1,001,713 |
| Total transactions with owners | - | - | 1,001,713 | 1,001,713 |
| At 30 June 2016 | 4,176 | 9,547,273 | (89,645,609) | (80,094,160) |
| Comprehensive income | | | | |
| Loss for the financial year and total comprehensive loss | - | - | (8,379,883) | (8,379,883) |
| Total comprehensive loss | - | - | (8,379,883) | (8,379,883) |
| Transactions with owners | | | | |
| Share-based payment charge | 4 | - | 998,258 | 998,258 |
| Total transactions with owners | - | - | 998,258 | 998,258 |
| At 30 June 2017 | 4,176 | 9,547,273 | (97,027,234) | (87,475,785) |

The profit and loss reserve includes an amount of £504,000 (2016: £504,000) that is non-distributable. The non-distributable amount is the result of the disposal of intellectual property to a group undertaking.

The notes on pages 15 to 28 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Accounting policies

Basis of preparing the financial statements

Ceres Power Limited (the “Company”) is a private company incorporated, domiciled and registered in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, Ceres Power Holdings plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Ceres Power Holdings plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Ceres Power Holdings plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Basis of preparing the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Material estimates and assumptions are made in particular with regard to the timing and value of evaluation and development revenue recognised.

Revenue recognition

The material estimates and assumptions regarding revenue recognition are specifically in relation to the timing and value of the revenue being recognised. A revision in cost estimates could have a material impact on revenue in the next period. Revenue is allocated to key components of each contract at the outset and recognised during the contract life when earned, either on delivery or calculated on a percentage of completion basis, based on costs incurred to date versus total estimated costs over the period that the work is performed. The revenue allocated to key components is reassessed throughout the contract life, as and when required, to take account of factors such as changes to the key components of the contract, the underlying assessment of costs to complete the contract, foreign exchange movements and the timing and length of the contract, to name a few.

Further details regarding revenue recognition can be found in the 'Turnover and direct costs' accounting policy.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the immediate parent company Ceres Power Intermediate Holdings Ltd. The directors have received confirmation that Ceres Power Intermediate Holdings Ltd intends to support the company for at least 12 months from the date these financial statements are signed.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held with the Company's banker.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Derivative financial instruments

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses forward foreign exchange contracts to hedge against foreign currency denominated income and expenditure commitments. The use of financial derivatives is governed by the Group's treasury policy, as approved by the Board. The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

| | |
|------------------------|---------------------------------------|
| Leasehold improvements | 10 years or the lease term if shorter |
| Plant and machinery | Three to ten years |
| Computer equipment | Three years |
| Fixtures and fittings | Three to ten years |

Assets under construction represent the cost of purchasing, constructing and installing tangible fixed assets ahead of their productive use. The category is temporary, pending completion of the assets and their transfer to the appropriate and permanent category of tangible fixed assets. As such, no depreciation is charged on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Research and development costs in the year include all related costs of the on-going enhancement of the Company's core technology and related systems. These costs include, but are not limited to, staff salaries and related costs, the direct cost of manufacturing cells and systems for R&D and the testing and analysis of the technology. As the Company is still pursuing significant internal and customer development programmes, the above criteria have not been met, therefore the Company has not yet capitalised any development costs.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Inventories

Inventories consist of raw materials and work in progress in relation to commercial activities. Work in progress includes timing differences between when the direct costs on commercial activities are incurred and when the revenue is recognised. Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material cost and, where applicable, direct labour costs and direct overheads that have been incurred. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

As detailed further in the research and development expenditure accounting policy, expenditure relating to the Group's continued research and development activities is recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income as an expense and when incurred.

Government grants

Grants are recognised on a case-by-case basis. Revenue grants are recognised in the profit and loss account as other operating income. Capital grants are recognised in deferred income and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets. For grants with no technical milestones, and where recovery is assured, the grant is recognised on an accruals basis in order to match the associated expenditure with the grant. For grants with technical milestones, grants are recognised only when the relevant milestone has been achieved and the associated cash has been received.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the Company receives services as consideration for equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions have been made for future dilapidations costs on leased property and on onerous leases. These provisions are the Directors' best estimates as the actual costs and timing of future cash flows are dependent on future events and are updated periodically. These estimates are supported by advice received from professional advisors. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Details of the Group's provisions are set out in note 13.

Turnover and direct costs

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Turnover is shown net of value added tax and other sales taxes. The turnover primarily consists amounts received or receivable under evaluation, development and licence contracts. Turnover is allocated to key components of the contract and recognised when earned, either on delivery or as calculated on a percentage of completion basis, based on costs incurred to date versus total estimated costs over the period that the work is performed. The turnover recognition is subject to certainty of receipt of cash, or when any specific conditions in agreements have been met. Where there is a timing difference between the recognition of turnover and invoicing under a contract, an accrued income asset or deferred income liability is recognised.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Turnover and direct costs (continued)

All costs incurred in fulfilling the components of a customer contract are recognised in line with the associated turnover and recorded as a cost of sale. Where there is a timing difference between when these costs are incurred and when the turnover is recognised, an asset is recognised in inventories. These include costs such as direct labour, direct materials, and, where applicable, an allocation of overheads that relate directly to the contract. If a loss is expected in respect of a contract, the entire loss is recognised immediately in the Profit and Loss Account and Other Comprehensive Income.

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the Financial Statements (continued)

2 Turnover

Turnover comprises revenues from development contracts. All turnover is derived from the principal activities of the Company in the UK. A geographical analysis of the Company's turnover by destination is presented below:

| | 2017 | 2016 |
|---------------|------------------|------------------|
| | £ | £ |
| Europe | 715,362 | 585,736 |
| Asia | 1,674,351 | 527,584 |
| North America | 729,783 | - |
| | 3,119,496 | 1,113,320 |

During the year deferred revenue of £439,302 (2016: £585,736) was released in respect of contracted work completed for British Gas.

3 Other operating income

| | 2017 | 2016 |
|-------------------|----------------|----------------|
| | £ | £ |
| Government grants | 954,881 | 550,745 |
| Other income | 1,944 | 4,658 |
| | 956,825 | 555,403 |

4 Expenses and auditor's remuneration

Included in the ordinary activities before taxation are the following:

| | 2017 | 2016 |
|--|-------------------|-------------------|
| | £ | £ |
| Operating costs are split as follows: | | |
| Research and development costs | 10,119,268 | 10,189,757 |
| Administrative expenses – recurring | 3,187,697 | 2,930,706 |
| | 13,306,965 | 13,120,463 |
| Reversal of provision relating to onerous lease and Property dilapidations (note 13) | (159,863) | (275,902) |
| | 13,147,102 | 12,844,561 |

Notes to the Financial Statements (continued)

4 Expenses and auditor's remuneration (continued)

| | 2017 | 2016 |
|---|-----------|-----------|
| | £ | £ |
| Loss on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation charge for the year on tangible owned fixed assets | 1,258,985 | 1,177,665 |
| Release of deferred income (grants) | | - |
| Auditor remuneration: | | |
| Audit services | | |
| - remuneration receivable by the Company's auditor for the auditing of the financial statements | 25,010 | 21,525 |
| Other services | | |
| - other services relating to taxation | 9,400 | 9,000 |
| - other services | 3,550 | 19,255 |
| Net loss/(gain) on financial instruments designated as fair value through profit or loss | 20,604 | (20,857) |
| Gain on foreign exchange | (15,789) | (27,703) |
| Share-based payment charge | 998,258 | 1,001,713 |

5 Staff numbers and costs

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

| | 2017 | 2016 |
|--------------------------|--------|--------|
| | Number | Number |
| By activity: | | |
| Commercial | 4 | 5 |
| Research and development | 104 | 91 |
| Administration | 15 | 14 |
| | 123 | 110 |

The aggregate payroll costs of these persons were as follows:

| | 2017 | 2016 |
|---|-----------|-----------|
| | £ | £ |
| Staff costs (for the above persons): | | |
| Wages and salaries, including compensation for loss of office | 6,172,681 | 5,059,643 |
| Social security costs | 646,494 | 553,531 |
| Share-based payments | 998,258 | 1,001,713 |
| Contributions to defined contribution plans | 403,738 | 347,707 |
| | 8,221,171 | 6,962,594 |

A total of £57,210 was payable in respect of pension contributions by the Company at the year end (2016: £127).

Notes to the Financial Statements (continued)

6 Directors' remuneration

| | 2017 | 2016 |
|---|----------------|----------------|
| | £ | £ |
| Directors' remuneration | 794,851 | 713,917 |
| Company contributions to defined contribution plans | 47,988 | 45,673 |
| Gain on exercise of share option | 3,769 | - |
| | 846,608 | 759,590 |

| | 2017 | 2016 |
|---|----------------|----------------|
| | | £ |
| Highest paid Director | | |
| Aggregate emoluments | 289,500 | 274,000 |
| Company contributions to defined contribution pension schemes | 15,960 | 15,680 |
| Gain on exercise of share option | 3,769 | - |
| | 309,229 | 289,680 |

Three Directors of the Company are also directors of other Group companies and the direct costs of these Directors have been recharged to other Group companies based on an apportionment of their daily activities undertaken in respect of each Group company. The emoluments included above are the total costs incurred by the Company and are not reduced by any costs recharged to other Group companies. The value of the recharges relating to Directors emoluments in the year is £137,752 (2016: £140,535).

Four Directors (2016: four) have retirement benefits accruing under defined contribution pension schemes.

Four Directors (2016: four) held options in the ultimate holding company, Ceres Power Holdings plc, at 30 June 2017. One Directors exercised options and subsequently held the shares in the holding company during the year (2016: none).

7 Taxation

Recognised in the profit and loss account

| | 2017 | 2016 |
|---|-----------|-----------|
| | £ | £ |
| UK corporation tax – R&D tax credit | 1,804,823 | 1,996,877 |
| Adjustment in respect of prior years – R&D tax credit | 219,724 | 162,442 |
| Foreign tax – Withholding tax charge | - | (1,926) |
| Tax credit on loss on ordinary activities | 2,024,547 | 2,157,393 |

No corporation tax liability has arisen during the year (2016: £nil) due to the losses incurred. A tax credit has arisen as a result of the tax losses being surrendered in respect of research and development expenditure.

Notes to the Financial Statements (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

The tax assessed for the year is different from the standard rate of small profits UK corporation tax of 19.75% (2016: 20%). The differences are explained below:

| | 2017 | 2016 |
|--|--------------------|--------------------|
| | £ | £ |
| Loss on ordinary activities before taxation | (10,404,430) | (11,511,016) |
| Loss on ordinary activities before taxation at the UK tax rate of 19.75% (2016: 20%) | (2,054,875) | (2,302,203) |
| Effects of: | | |
| Enhanced tax deductions for R&D spend | (1,354,281) | (1,476,047) |
| Expenses not deductible for tax purposes | 207,654 | 187,252 |
| Accelerated capital allowances and other timing differences | 256,607 | 250,636 |
| Losses carried forward | 581,237 | 529,985 |
| Share Option relief | (66,185) | (57,025) |
| Withholding Tax | - | 1,926 |
| Adjustment in respect of prior years – R&D tax credit | (219,724) | (162,442) |
| Difference between R&D tax credit and small company tax rates | 625,020 | 870,525 |
| Total current tax credit | (2,024,547) | (2,157,393) |

Deferred taxation

At the balance sheet date, the Company had deferred tax assets as follows:

| | Amount recognised 2017 £ | Amount recognised 2016 £ | Amount unrecognised 2017 £ | Amount unrecognised 2016 £ |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Tax effect of timing differences because of: | | | | |
| Difference between capital allowances and depreciation | - | - | 2,096,810 | 1,953,615 |
| Deductions relating to share options | - | - | 615,201 | 340,374 |
| Losses carried forward | - | - | 9,367,743 | 9,132,596 |
| | - | - | 12,079,754 | 11,426,585 |

The deferred tax assets have not been recognised as the Directors consider that it is unlikely that taxable profits will arise in the foreseeable future.

Notes to the Financial Statements (continued)

8 Tangible fixed assets

| | Leasehold improvements £ | Plant and machinery £ | Computer equipment £ | Fixtures and fittings £ | Assets under construction £ | Total £ |
|---------------------------------|--------------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------------------|-------------------|
| Cost | | | | | | |
| At 1 July 2016 | 2,051,206 | 8,480,602 | 835,380 | 70,050 | 104,913 | 11,542,151 |
| Additions | 82,946 | 723,572 | 56,462 | - | - | 862,980 |
| Transfers | - | 104,913 | - | - | (104,913) | - |
| At 30 June 2017 | 2,134,152 | 9,309,087 | 891,842 | 70,050 | - | 12,405,131 |
| Accumulated depreciation | | | | | | |
| At 1 July 2016 | 1,649,292 | 6,757,880 | 755,500 | 70,050 | - | 9,232,722 |
| Charge for the year | 349,156 | 871,982 | 37,847 | - | - | 1,258,985 |
| At 30 June 2017 | 1,998,448 | 7,629,862 | 793,347 | 70,050 | - | 10,491,707 |
| Net book value | | | | | | |
| At 30 June 2017 | 135,704 | 1,679,225 | 98,495 | - | - | 1,913,424 |
| At 30 June 2016 | 401,914 | 1,722,722 | 79,880 | - | 104,913 | 2,309,429 |

9 Debtors: amounts falling due within one year

| | 2017 £ | 2016 £ |
|--|------------------|------------------|
| Trade debtors | 547,119 | 53,361 |
| Amounts owed by group undertakings | 442,496 | 340,986 |
| Corporation tax receivable | 1,805,000 | 1,996,877 |
| Other debtors | 766,730 | 427,606 |
| Derivative financial assets – forward foreign exchange contracts | 27,703 | 28,115 |
| Prepayments | 301,741 | 322,630 |
| Accrued income | 744,177 | 242,985 |
| | 4,634,966 | 3,412,560 |

The amounts owed by group undertakings are non-interest bearing and repayable on demand. The Company has no intention to call down these amounts in the foreseeable future.

10 Inventories

| | 2017 £ | 2016 £ |
|------------------|----------------|-----------|
| Raw materials | 198,263 | - |
| Work in progress | 397,526 | - |
| | 595,789 | - |

Notes to the Financial Statements (continued)

11 Creditors: amounts falling due within one year

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | £ | £ |
| Trade creditors | 668,673 | 693,215 |
| Amounts owed to group undertakings | 92,376,092 | 83,569,845 |
| Taxation and social security payable | 0 | 155,682 |
| Other creditors | 59,494 | 16,311 |
| Derivative financial liability – forward foreign exchange contracts | 7,720 | 7,258 |
| Accruals | 1,029,934 | 595,203 |
| Deferred income | 744,931 | 508,035 |
| | 94,886,844 | 85,545,549 |

The amounts owed to group undertakings comprise inter-company loans and recharges which are non-interest bearing and repayable on demand.

12 Creditors: amounts falling after more than one year

| | 2017 | 2016 |
|----------|------|--------|
| | £ | £ |
| Accruals | - | 31,402 |

13 Provisions

| | Property dilapidations £ | Onerous leases £ | Total £ |
|---------------------------------|--------------------------------|------------------------|----------------|
| At 1 July 2016 | 809,377 | 134,520 | 943,897 |
| Provisions made during the year | 74,250 | - | 74,250 |
| Utilised during the year | (17,500) | (12,784) | (30,284) |
| Reversed during the year | (38,127) | (121,736) | (159,863) |
| At 30 June 2017 | 828,000 | - | 828,000 |
| | Property dilapidations £ | Onerous leases £ | Total £ |
| Current | - | - | - |
| Non-Current | 828,000 | - | 828,000 |
| At 30 June 2017 | 828,000 | - | 828,000 |

Notes to the Financial Statements (continued)

13 Provisions (continued)

The dilapidation provision recognised at the year end matches the present value of costs to be incurred, which is materially the same as the expected costs to be incurred, in making good the leasehold property at the end of its lease, details of which are in note 16.

The onerous lease provision recognised in prior years provided for the full cost of the remaining life of the leases on properties that the Company expected to have no further use of. During the year the remaining property leases for which a provision had been made were surrendered.

14 Contingent liabilities

Grants received of £705,000 (2016: £705,000), or an element thereof, may require repayment if the Company generates revenue (net of expenses and reasonable overheads) from the intellectual property created from the grant. In such case, the Company may be liable to pay back the grant at a rate of 5% of the net revenue generated in any one year. The Directors of the Company believe it is unlikely that any of the grants received will need to be repaid.

15 Share capital

| | 2017 | 2016 |
|--|--------------|--------------|
| | £ | £ |
| Allotted and fully paid | | |
| 4,176,306 (2016: 4,176,306) ordinary shares of £0.001 each | 4,176 | 4,176 |

16 Operating leases

The Company leases premises and office equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2017 | | 2016 | |
|----------------------------|--------------------|---------------|--------------------|---------------|
| | Land and Buildings | Other | Land and Buildings | Other |
| Less than one year | 334,889 | 30,990 | 365,288 | 5,994 |
| Between one and five years | 1,728,525 | 32,216 | 206,505 | 10,050 |
| More than five years | 889,792 | - | - | - |
| | 2,953,206 | 63,206 | 571,793 | 16,044 |

At the year end the property has a minimum lease term of 7.1 years (2016: 1.6 years). The rentals are fixed for the lease terms subject to periodic rent reviews. The office equipment leases have an average term of 2.1 years (2016: 2.7 years). The Group extended the lease to its facilities in Viking House, Horsham, during the period.

During the year £340,964 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £335,522).

17 Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £190,149 as at 30 June 2017 (2016: £254,802).

Notes to the Financial Statements (continued)

18 Related party transactions

The Company has taken advantage of exemptions from disclosing related party transactions on the grounds that it is a wholly owned subsidiary of a group headed by Ceres Power Holdings plc, whose financial statements are publicly available. Related party transactions of the Group are disclosed in the Financial Statements of Ceres Power Holdings plc.

19 Ultimate parent company and parent company of larger group

The ultimate parent undertaking and controlling party is Ceres Power Holdings plc and the immediate parent undertaking is Ceres Power Intermediate Holdings Ltd. Both companies are incorporated in the United Kingdom.

Ceres Power Holdings plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 30 June 2017.

Copies of the consolidated financial statements of Ceres Power Holdings plc are publicly available and can be obtained from the Company Secretary, Ceres Power Holdings plc, Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX or from the Group's website: <http://www.cerespower.com/>.