

Ceres Power Intermediate Holdings Limited

Annual report and financial statements

Registered number 08887056

30 June 2017

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Directors and advisors

Directors

Mr Alan Aubrey
Mr Philip Caldwell
Mr Richard Preston
Mr Steve Callaghan

Company Secretary

Ms Caroline Buchan

Registered office

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Solicitor

DAC Beachcroft LLP
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Independent Auditor

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Banker

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Strategic report

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

The Company’s principal activity is to act as an intermediate holding company for Ceres Power Holdings plc and its subsidiaries (“the Group”) and to manage the Group’s cash, cash equivalents and short term investments.

Review of the Business

Strategy

The Group’s strategy is to create a fuel cell for the mass market by embedding the technology in the products of global engineering companies. The Group is targeting the residential, commercial and transportation markets globally with a current focus in North America, Asia and Europe. The Group 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 parent, Ceres Power Holding plc, in October 2016.

Overview of performance

This has been the Group’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 Group 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 platform. 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 Group 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 programme which

Strategic report (continued)

Commercial (continued)

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 at the date of this report 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 SOx, NOx 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 Group 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

Success of the business is measured by meeting commercial and technical milestones, and through careful management of the Group's resources and by measuring progress on financial milestones.

The Company's profit for the financial period was £80,232 (2016: £68,994).

The profit in the year was primarily generated through interest receivable of £88,455 (2016: 76,633).

The Company's net assets at the end of the financial year was £64,093,986 (2016: £44,343,814).

The consolidated results of the Group for the financial year, of which Ceres Power Intermediate Holdings Limited and its subsidiaries are a part of, are available in the 2017 Annual Report of Ceres Power Holdings plc, which are publicly available.

The successful fundraising by the Company's parent, Ceres Power Holdings plc, in October 2016 has contributed £19.4 million (net of expenses) to the Group's cash and short term investments.

As at 30 June 2017 the Company's cash and short term investments were £15,904,466 (2016: £6,142,313). This stands the Company and Group in good stead for the foreseeable future, during which we plan to further our commercial opportunities.

Principal risks and uncertainties

The key business risks affecting the Company are set out below:

Financial risk management

The financial risk faced by the Company is primarily liquidity risk. The Board reviews and agrees policies for managing this risk.

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 14 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.

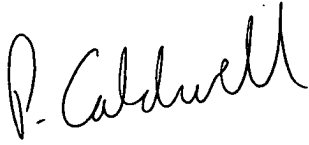
Strategic report (continued)

Outlook

The Group 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.

The Group'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 Group's growth and I look forward to being able to announce further commercial progress against these objectives in the year ahead.



Phil Caldwell
Director

15 December 2017

Directors' report

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

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 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 profit for the financial year of £80,232 (2016: £68,994).

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

Going concern

After having made appropriate enquiries and in light of the private placing by Ceres Power Holdings plc, the parent undertaking, which raised £19.4 million net of expenses in October 2016, the Directors have a reasonable expectation that the Group and Company have adequate resources to progress their established strategy for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

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 Alan Aubrey
Mr Philip Caldwell
Mr Richard Preston
Mr Steve Callaghan

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

Political contributions

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

Directors' report *(continued)*

Disclosure of information to auditor

So far as each of the Directors 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.

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
15 December 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 Intermediate Holdings Limited

Opinion

We have audited the financial statements of Ceres Power Intermediate Holdings 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 profit 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 Intermediate Holdings Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 8, 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
19 December 2017

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

| | Notes | 2017 £ | 2016 £ |
|---|-------|----------------|----------------|
| Administrative expenses | | (8,223) | (7,639) |
| Operating loss | | (8,223) | (7,639) |
| Interest receivable and similar income | 2 | 88,455 | 76,633 |
| Profit on ordinary activities before taxation | 2 | 80,232 | 68,994 |
| Tax on profit on ordinary activities | 5 | - | - |
| Profit for the financial year and total comprehensive income | | 80,232 | 68,994 |

The notes on pages 14 to 19 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 | | | |
| Investments | 6 | 11,339,703 | 11,339,703 |
| Current assets | | | |
| Debtors | 7 | 36,853,817 | 26,865,323 |
| Short term investments | | 14,000,000 | 1,000,000 |
| Cash at bank and in hand | | 1,904,466 | 5,142,313 |
| | | 52,758,283 | 33,007,636 |
| Creditors: amounts falling due within one year | 8 | (4,000) | (3,525) |
| Net current assets | | 52,754,283 | 33,004,111 |
| Total assets less current liabilities | | 64,093,986 | 44,343,814 |
| Net assets | | 64,093,986 | 44,343,814 |
| Capital and reserves | | | |
| Called up share capital | 9 | 10,124,199 | 7,778,579 |
| Share premium account | | 66,204,225 | 48,879,905 |
| Profit and loss account | | (12,234,438) | (12,314,670) |
| Total shareholders' funds | | 64,093,986 | 44,343,814 |

The notes on pages 14 to 19 form an integral part of these Financial Statements.

The financial statements on pages 11 to 19 were approved by the board of Directors on 15 December 2017 and were signed on its behalf by:



Mr Richard Preston
Director

Ceres Power Intermediate Holdings Limited
Registered Number: 08887056

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

| | Note | Share capital £ | Share premium account £ | Accumulated losses £ | Total £ |
|---------------------------------------|------|--------------------|----------------------------------|----------------------------|-------------------|
| At 1 July 2015 | | 7,725,379 | 48,879,905 | (12,383,664) | 44,221,620 |
| Comprehensive income | | | | | |
| Profit for the financial period | | - | - | 68,994 | 68,994 |
| Total comprehensive profit | | - | - | 68,994 | 68,994 |
| Transactions with owners | | | | | |
| Issue of shares, net of costs | 9 | 53,200 | - | - | 53,200 |
| Total transactions with owners | | 53,200 | - | - | 53,200 |
| At 30 June 2016 | | 7,778,579 | 48,879,905 | (12,314,670) | 44,343,814 |
| Comprehensive income | | | | | |
| Profit for the financial year | | - | - | 80,232 | 80,232 |
| Total comprehensive profit | | - | - | 80,232 | 80,232 |
| Transactions with owners | | | | | |
| Issue of shares, net of costs | 9 | 2,345,620 | 17,324,320 | - | 19,669,940 |
| Total transactions with owners | | 2,345,620 | 17,324,320 | - | 19,669,940 |
| At 30 June 2017 | | 10,124,199 | 66,204,225 | (12,234,438) | 64,093,986 |

The notes on pages 14 to 19 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Accounting policies

Basis of preparing the financial statements

Ceres Power Intermediate Holdings 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 and effective immediately 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

After having made appropriate enquiries and in light of the private placing by Ceres Power Holdings plc, the ultimate parent undertaking, which raised £19.4 million net of expenses in October 2016, the Directors have a reasonable expectation that the Group and Company have adequate resources to progress their established strategy for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

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.

Investments in equity securities

Investments in subsidiaries are carried at cost less provision for impairment.

Cash and cash equivalents

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

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.

The Directors have reviewed the investment in its subsidiaries for indicators of impairment at year end. They have compared the carrying value of the investments against the Group's current market capitalisation and against the discounted value of estimated future cash flows from the investments. The discount rate used was based on management's best estimate using an appropriate risk adjusted rates of between 10% and 20%. They assessed the progress of technical development, funds held and the positive performance of the Group. The Directors do not consider there are any indicators of impairment.

Notes to the Financial Statements (continued)

Impairment (continued)

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.

Interest receivable and similar income

Interest receivable and similar income comprises just bank interest. 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 following temporary differences are not provided for: differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 Expenses and auditor's remuneration

Included in the profit or loss on ordinary activities before taxation are the following:

| | 2017 | 2016 |
|---|----------|----------|
| | £ | £ |
| Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting): | | |
| Provision against the value of investment held in subsidiary undertaking | - | - |
| Auditor remuneration: | | |
| - audit services | 2,250 | 2,025 |
| - other services relating to taxation | 2,050 | 1,500 |
| Interest receivable and similar income – bank interest receivable | (88,455) | (76,633) |

3 Staff numbers and costs

There were no employees during the current or prior year.

4 Directors' remuneration

All the 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. No recharges relating to Directors emoluments have been made in the year (2016: £nil).

Two Directors (2016: two) have retirement benefits accruing under defined contribution pension schemes.

Three Directors (2016: three) held options in the ultimate holding company, Ceres Power Holdings plc, at 30 June 2017. One Director exercised options held in the holding company during the year (2016: None).

5 Taxation

Recognised in the profit and loss account

No corporation tax liability has arisen during the year (2016: £nil).

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 |
|--|----------|----------|
| | £ | £ |
| Profit on ordinary activities before taxation | 80,232 | 68,994 |
| Profit on ordinary activities before taxation at the UK tax rate of 19.75% (2016: 20%) | 15,846 | 13,799 |
| Effects of: | | |
| Group relief claimed | (15,846) | (13,799) |
| Total current tax charge | - | - |

Deferred taxation

At the balance sheet date the Company had no recognised or unrecognised deferred tax assets or liabilities.

Notes to the Financial Statements (continued)

6 Fixed asset investments

| | Shares in group undertakings £ |
|-----------------------|---|
| Cost | |
| At 1 July 2016 | 23,781,702 |
| Additions | - |
| At 30 June 2017 | 23,781,702 |
| Provisions | |
| At 1 July 2016 | 12,441,999 |
| Provided in year | - |
| At 30 June 2017 | 12,441,999 |
| Net book value | |
| At 30 June 2017 | 11,339,703 |
| At 30 June 2016 | 11,339,703 |

The Company has the following investments in subsidiaries:

| Name of undertaking | Country of Incorporation | Description of shares held | Proportion of nominal value of shares held |
|---|-----------------------------|-------------------------------|---|
| Ceres Power Limited | England and Wales | £0.001 ordinary share | 100% |
| Ceres Intellectual Property Company Limited | England and Wales | £1.00 ordinary share | 100% |

The principal activity of Ceres Power Ltd is the commercialisation and development of the Group's fuel cell technology. The principal activity of Ceres Intellectual Property Company Ltd is the administration of registered intellectual property developed within the Group. The results of Ceres Power Ltd and Ceres Intellectual Property Company Ltd, as well as the Company, are included within the consolidated financial statements of Ceres Power Holdings plc.

The Directors have reviewed the investments for evidence of impairment and have concluded that the carrying value is supported by the Group's current market capitalisation and the discounted value of estimated future cash flows.

The registered address of the Company and all subsidiary undertakings is Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX.

7 Debtors: amounts falling due within one year

| | 2017 £ | 2016 £ |
|------------------------------------|------------|------------|
| Amounts owed by group undertakings | 36,796,208 | 26,861,560 |
| Prepayments and accrued income | 57,609 | 3,763 |
| | 36,853,817 | 26,865,323 |

The amounts owed by Group undertakings comprise inter-company loans and recharges. These amounts are non-interest bearing and repayable on demand.

Notes to the Financial Statements (continued)

8 Creditors: amounts falling due within one year

| | 2017 | 2016 |
|----------|-------|-------|
| | £ | £ |
| Accruals | 4,000 | 3,525 |

9 Share capital

| | 2017 | 2016 |
|---|------------|-----------|
| | £ | £ |
| Allotted and fully paid | | |
| 1,012,419,900 Ordinary shares of £0.01 each (2016: 777,857,841) | 10,124,199 | 7,778,579 |
| 13,912,516 A Ordinary shares of £0.00000001 each (2016: 13,912,516) | - | - |
| | 10,124,199 | 7,778,579 |

During the year 234,562,059 ordinary £0.01 shares were issued (2016: 5,320,000).

During the prior year 2,000,000 A ordinary £0.00000001 shares were issued to a key employee and Director of the Group as Employee Shareholder Status (ESS) shares.

10 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.

11 Ultimate parent company and parent company of larger group

The immediate and ultimate parent undertaking and controlling party is Ceres Power Holdings plc, a company 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 publically 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/>.