

Company Registration No. 03958217 (England and Wales)

INTELLIGENT ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019



INTELLIGENT ENERGY LIMITED

COMPANY INFORMATION

Directors	A H I Ball D I Woolhouse
Secretary	J K Uppal
Company number	03958217
Registered office	Charnwood Building Holywell Park Ashby Road Loughborough Leicestershire LE11 3GB
Auditor	RSM UK Audit LLP Chartered Accountants 7th Floor City Gate East Toll House Hill Nottingham NG1 5FS

INTELLIGENT ENERGY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

Review of business

Revenue for the year was £2.4m (15-month period 2018: £4.8m). The year-on-year decrease in revenue primarily reflects the strategic transition from providing engineering services to developing standard products across all ranges from 1kW to 100kW to commercialise in future years.

The Directors primarily use adjusted EBITDA to monitor performance as this most closely reflects operating cash flow. This is measured as earnings before interest, tax, depreciation, amortisation, impairment and exceptional items. On this measure, adjusted EBITDA for the period was a loss of £14.3m (2018: loss of £16.8m). The average monthly EBITDA loss trend remains flat as previous cost reduction initiatives are maintained.

A strategic review of the company's Intellectual Property (IP) portfolio concluded it appropriate to impair patents not aligned with the technology the company is focused on commercialising. The charge recognised was £1.0m.

The total loss for the year was £16.6m (2018: loss of £13.0m). The movement compared to the prior year predominantly reflects the adjustment made in 2018 to intra group interest following the Meditor acquisition transaction and the release of negative goodwill recognised on the acquisition of subsidiaries.

On 13 August 2019 the Group Board passed resolutions to complete a bonus issue of ordinary shares to capitalise other reserves and reduce share capital which has led to an increase of distributable reserves of £313.3m.

Continued support and investment from Meditor maintains the funding necessary to commercialise the company's technology. The cash balance has dropped to £7.6m (2018: £25.1m) due to the timing of additional equity investment. Net current assets are £9.5m (2018: £25.1m), driven predominantly by the movement in cash.

During 2019 the Group was awarded a grant by the Advanced Propulsion Centre (APC) that supports the UK Government's drive to achieve net zero carbon by 2050. The company has partnered with Changan UK, owned by Changan Auto China's fourth largest car manufacturer, and Alexander Dennis Ltd in integrating high power, low cost, fuel cell systems into SUVs and buses.

A UAV (Un-manned Aerial Vehicle) drone endurance record was broken employing a 650W Fuel Cell Power Module (FCPM). Utilising liquid hydrogen the multi-copter UAV flew for a record breaking 10 hours and 50 minutes, believed to be the longest flight time of its kind.

In response to a strong market pull the portfolio of UAV power modules was expanded to include a 2.4kW system. Large commercial UAVs need more power to carry a large array of heavy payloads for different applications such as parcel delivery, surveying, inspection and filming.

An increasing focus on reducing emissions in the construction industry resulted in the launch of a zero-emissions welfare unit featuring an IE Fuel Cell Module. The IE Fuel Cell Module provides quiet, zero-emission power round the clock, even in urban areas and offers lower life cycle costs and minimal maintenance when compared to traditional diesel generators.

The IE Group has announced that it is launching a power product for the European electric hand truck (fleet order picker) market with its partner, German-based FES (Fahrzeug Entwicklung Sachsen GmbH). Intelligent Energy's class leading fuel cell technologies, together with the OEM development expertise of FES, combine to provide compelling fuel cell power products to replace batteries for European Class 3 trucks used in the warehouse, logistics and distribution markets.

A company ERP system upgrade programme commenced during the year to enhance operational performance and efficiency to underpin increased manufacturing volume.

The Directors welcome the increased number of initiatives around the 'Hydrogen Economy' from governments around the world. There is regular contact with the UK Government on alignment and support.

INTELLIGENT ENERGY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The hydrogen fuel cell is the engine of the Hydrogen Economy, and the Directors believe that IE's technology is superior to similar fuel cell products in a number of important respects.

Business KPIs

The Board has assessed that the following Key Performance Indicators (KPIs) are relevant in tracking commercialisation of the Group's activities towards fulfilling the Group's long-term objectives:

1. **Revenue.** Revenue in the period dropped due to the strategic transition from providing engineering services to focusing on the manufacture of standard fuel cell systems and sale of the same into developing commercial applications.
2. **Adjusted EBITDA.** Adjusted EBITDA losses remained flat on an annualised basis compared with the prior year as previous cost reduction initiatives were maintained.
3. **Cash and liquidity.** Average cash used in operations remained flat due to continued investment within commercialisation of products. Liquidity is maintained by additional equity investment by Meditor.

Future developments

The Group anticipates the continued manufacture and selling of units in the automotive, aerospace, heavy duty, materials handling, UAV and stationary power markets within the coming year.

Principal risks and uncertainties

Following the recapitalisation of the business after the balance sheet date, the principal risks and uncertainties facing the business on a prospective basis for the year ahead are considered to be:

Principal risk description	Risk management
Competitive markets Material markets for proton exchange membrane (PEM) fuel cell technology may develop more slowly and on a smaller scale than is anticipated. The Group's ability to deliver certified products and secure customer contracts may materialise more slowly than expected or may never materialise at the required levels. In addition, PEM fuel cells, including the costs and availability of hydrogen as a fuel, may never be as economically competitive as other competing technologies in providing alternative power sources.	<p>The key aim of the business is to focus on markets where fuel cell related revenues are likely to scale, and where the Group can deploy relevant products to relevant market segments.</p> <p>As part of this strategy the Group will continue to look for opportunities to 'seed the market' with the company's technology, so that potential customers can see the benefits achievable through the company's products.</p> <p>The development of cost-effective manufacturing techniques, coupled with volume increases, will help to drive down the costs that are currently associated with the technology and allow the company to compete more easily with alternative sources of power.</p>
Operational The Group undertakes low volume manufacturing and fuel cell stack assembly at its facility in Loughborough, UK, to meet initial customer orders. As demand increases, the company may experience problems in being able to supply the volumes required.	<p>The Group continues to monitor options for volume manufacturing at the appropriate time and remains agile to such opportunities.</p>

INTELLIGENT ENERGY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

<p>Financial risk management The Group maintains an international presence and operates in the Far East, Middle East, Europe, Africa and the Americas. Receipts and purchases are in different currencies potentially impacting profitability when converted.</p> <p>Customer credit ratings can vary resulting in potential bad debt exposure.</p>	<p>Currency fluctuations are routinely reviewed, and policies adopted when necessary. The number of currencies is limited, and receipts and payments are actively managed to match accordingly.</p> <p>Utilising third-party platforms, customer due diligence is undertaken, and staged billing utilised as appropriate.</p>
<p>IP/cyber The company is dependent on proprietary technology underpinned by intellectual property ("IP"). There is a risk that the company may not be able to obtain, maintain, defend, or enforce those IP rights and the company may also be exposed to litigation in the future in respect of IP infringement.</p> <p>There can be no assurances that: any currently pending or future patent will be granted, the Group's patent applications will not be challenged by third parties, competitors will not be able to design around such patents, competitors will not develop similar products which are not within the scope of the Group's patents, or the Group's IT systems cannot prevent a loss of IP through a cyber-attack.</p>	<p>The company registers its IP rights where appropriate to aid enforcement and to protect against infringement and challenges.</p> <p>Through continued research and development of the company's technology and proprietary knowledge, the company is able to react and respond to market opportunities and extend its offering.</p> <p>IP boundaries and ownership rights are an integral part of all contracts the Group enters. The Group's specialist in-house IP provision maintains oversight of all IP activity, including the management of external IP service providers.</p> <p>The Group has an IT security framework and roadmap in place which highlights the highest cyber risks. As new cyber risks develop the roadmap and priorities adjust accordingly.</p>
<p>Key personnel The success of the Group's business strategy is dependent on its ability to attract and retain key personnel. The loss of these individuals, or the inability to recruit sufficiently qualified and experienced replacements, may make it difficult for the business to meet its objectives.</p>	<p>The Group maintains regular contact with recruitment bodies to understand trends in the labour market and frequently review staff turnover rates.</p>
<p>Legal and regulatory The Group's strategy involves operating in economies outside the UK, where there are different and/or additional legal, regulatory and accounting compliance frameworks. This exposes a risk that the Group may inadvertently fail to adhere to such obligations.</p>	<p>External advisers are sourced locally, where deemed relevant, to ensure legal, regulatory and accounting compliance.</p> <p>The Group employs relevant personnel with a strong international background and understanding of local markets, cultures, customs and market practices.</p>
<p>COVID-19 Product development and manufacture is core to the Group's business strategy. Multi-disciplinary product development teams work closely together to design and certify standard solutions.</p> <p>Product manufacture requires skilled employees to be present at the production facilities with all the necessary tools and equipment.</p> <p>It is unclear how the COVID-19 pandemic will evolve and impact on employees, supply-chain and customers.</p>	<p>Daily review of the latest government advice and regular dialogue with our existing supply-chains and customer base ensures the company quickly adapts and continues to operate in the most efficient manner.</p> <p>Utilisation of the latest virtual office environments enables company employees to work remotely effectively.</p>

INTELLIGENT ENERGY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

While these risks are focused on the year ahead, they are relevant for the medium term. In the medium to long term, should the business not grow profitably, it will be dependent on continued shareholder support for funding.

Financial risk management

The Directors monitor the risks facing the Group with particular reference, in the year under review, to the exposure to liquidity risk, with suitable policies and procedures in place to mitigate where appropriate and feasible. The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade debtors and trade creditors, which arise from its operations.

Liquidity risk – The Group meets its day-to-day working capital requirements through its cash resources. The current position of the Group and its development plans result in cash consumption which is financed from Meditor Energy Limited.

Credit risk – Credit risk arises in respect of amounts receivable from customers and amounts on deposit with banks. Credit risk in respect of customers is limited due to the nature of the Group's significant customers, primarily large corporations and government bodies. Credit risk in respect of banks is managed by limiting deposits to banks with strong credit ratings and limiting the amount on deposit with a single counterparty.

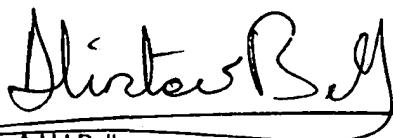
Currency risk – The Group is international, operating in the Far East, Middle East, Europe, Africa and the Americas. Receipts and purchases are in different currencies, potentially impacting profitability when converted. Currency fluctuations are routinely reviewed, and policies adopted when necessary. The number of currencies is limited, and receipts and payments are actively managed to match accordingly.

Post balance sheet events

On 12 May 2020, Meditor Energy Limited made an additional equity investment of £15.0m in response to strong technology commercialisation and sales pipeline growth.

Since the year end, the spread of the COVID-19 virus has escalated but has had minimal impact on the Group as countries have moved into lockdown. The impact and resulting actions taken by the Group have been commented upon in the Strategic Report and going concern note on page 7.

Approved by the Board of Directors and signed on behalf of the Board by



A H I Ball
Director

15 December 2020

INTELLIGENT ENERGY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their annual report and the financial statements of the Group for the year ended 31 December 2019.

Principal activities

The principal activity of the Group continues to be that of developing fuel cell technology to commercialise products for sale.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

A H I Ball

D I Woolhouse

Results and dividends

The results for the year are set out on page 11.

Qualifying third-party indemnity provisions

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors during the period. These provisions remain in force at the reporting date.

Research and development

The Group continues to make investment into research and development activities to develop PEM fuel cells and PEM fuel cell systems. Research and development expenditure in the year was £4.8m (2018: £5.0m).

Branches outside the UK

The Group has established a French branch as part of the development work undertaken with the French Alternative Energies and Atomic Energy Commission in Grenoble.

Employees

The Group attaches significant importance to good employee relations, employee engagement and employee development. The Group recognises its responsibilities for the fair treatment and equality of opportunity for all current and future employees in accordance with legislation applicable to the territories in which the business operates.

As part of its 'Staying Informed' communications plan the Group has a range of communications mechanisms to ensure employees remain up to date on business issues.

The Group is committed to promoting equality and diversity and eliminating discrimination in all aspects of its employment and business. Its aim is to develop an environment that is free from discrimination where all individuals are able to freely contribute their skills and are encouraged to develop to their full potential.

In the event of disability, every effort is made to ensure that employment continues, and appropriate adjustments are made, and training given. Career development and promotion of disabled people is, as far as possible, identical to that of other employees.

INTELLIGENT ENERGY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

Subsequent to the acquisition of the Group, the Group has been recapitalised by Meditor. Meditor invested £40.4m of additional cash into the Group by way of equity and the Group is now debt free.

On 12 May 2020, Meditor Energy Limited made an additional significant equity investment of £15.0m in response to strong technology commercialisation and sales pipeline growth. Meditor has also confirmed its intention to provide additional financial support, if required, for a period of at least 12 months from the date of approval of the financial statements for the year ended 31 December 2019.

The Directors have prepared cash flow projections for the 12-month period from the date of approval of the financial statements. These projections are sensitive to changes in the underlying assumptions, the main one being revenue. These projections indicate that, based on the assumptions underlying the projections, sufficient resources will be available to settle liabilities as they fall due for a period of at least 12 months from the date of approving these accounts.

As noted under risks and uncertainties on page 4, the effects of the COVID-19 pandemic are being felt on a global scale with governments facing unprecedented challenges and taking the necessary counter measures to combat the spread of infection. The Group's trading results have not yet been impacted by COVID-19 however the Directors continue to carefully monitor the situation so appropriate actions are taken in a timely manner.

Despite COVID-19, the Directors remain confident that following the £15.0m cash injection by Meditor in May 2020 and Meditor's continued support, the Group has the necessary means to meet its financial commitments with the ability to control costs to offset any shortfalls in revenue.

For these reasons, the Directors have adopted the going concern basis in preparing the annual financial statements.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

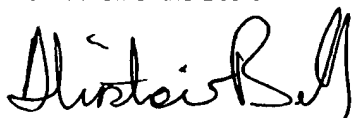
Strategic Report

The Group has chosen in accordance with the Companies Act 2006, s.414C(11) to set out in the Group's Strategic Report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of a review of the business, its principal risks, financial risks and future developments.

Statement of disclosure to auditor

As far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Group's auditor is unaware. Additionally, each of the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditor is aware of such information.

On behalf of the Board



A H I Ball
Director

15 December 2020

INTELLIGENT ENERGY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors are responsible for preparing the Strategic Report and 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 period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Group and of the profit or loss of the Group 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTELLIGENT ENERGY LIMITED

Opinion on financial statements

We have audited the financial statements of Intelligent Energy Limited (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2019 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTELLIGENT ENERGY LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Neil Stephenson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
7th Floor
City Gate East
Tollhouse Hill
Nottingham
NG1 5FS
15 December 2020

INTELLIGENT ENERGY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

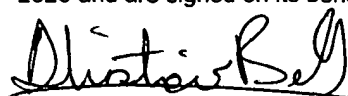
	Notes	Year ended 31 December 2019 £'000	15 month period ended 31 December 2018 £'000
Turnover	3	2,361	4,821
Cost of sales		(2,102)	(3,740)
Gross profit		<u>259</u>	<u>1,081</u>
Administrative expenses		(11,054)	(15,325)
Research and development expenses		(4,825)	(5,027)
Exceptional items	8	(975)	(1,218)
Operating loss		<u>(16,595)</u>	<u>(20,489)</u>
Interest receivable		100	148
Interest payable and similar charges		-	(34)
Reversal of inter-company interest	4	-	6,619
Negative goodwill released to profit	4	-	794
Loss before taxation	4	<u>(16,495)</u>	<u>(12,962)</u>
Taxation	7	(134)	(76)
Loss for the period		<u>(16,629)</u>	<u>(13,038)</u>
Other comprehensive income			
Exchange differences on foreign currency translation		182	212
Total comprehensive income for the period		<u>(16,447)</u>	<u>(12,826)</u>

Total comprehensive income arises from continuing activities.

INTELLIGENT ENERGY LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000	2018 £'000
Fixed assets				
Intangible assets	8		6,778	7,651
Tangible assets	9		671	703
			<u>7,449</u>	<u>8,354</u>
Current assets				
Stocks	11	1,288		1,035
Debtors	12	3,383		2,461
Cash at bank and in hand		7,624		25,054
		<u>12,295</u>		<u>28,550</u>
Creditors: amounts falling due within one year	13	(2,780)		(3,493)
Net current assets			<u>9,515</u>	<u>25,057</u>
Total assets less current liabilities			<u>16,964</u>	<u>33,411</u>
Capital and reserves				
Called up share capital	16		1,750	1,750
Share premium account	17		-	295,071
Merger reserve	17		-	18,250
Profit and loss reserves	17		15,214	(281,660)
Total equity			<u>16,964</u>	<u>33,411</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15 December 2020 and are signed on its behalf by



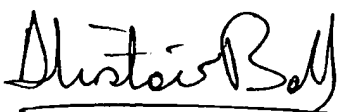
A H I Ball
Director

INTELLIGENT ENERGY LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	2019 £'000	£'000	2018 £'000	£'000
Fixed assets					
Intangible assets	8		6,778		7,367
Tangible assets	9		668		700
Investments	10		-		-
			<u>7,446</u>		<u>8,067</u>
Current assets					
Stocks	11	1,288		1,035	
Debtors	12	3,687		2,871	
Cash at bank and in hand		7,510		24,784	
		<u>12,485</u>		<u>28,690</u>	
Creditors: amounts falling due within one year	13	(2,990)		(3,656)	
Net current assets			<u>9,495</u>		<u>25,034</u>
Total assets less current liabilities			<u>16,941</u>		<u>33,101</u>
Capital and reserves					
Called up share capital	16		1,750		1,750
Share premium account	17		-		295,071
Merger reserve	17		-		18,250
Profit and loss reserves	17		15,191		(281,970)
Total equity			<u>16,941</u>		<u>33,101</u>

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income. The company's loss for the year was £16,191,000 (2018: loss of £12,227,000) and total comprehensive income for the period was £(16,160,000) (2018: £(12,251,000)).

The financial statements were approved by the Board of Directors and authorised for issue on 15 December 2020 and are signed on its behalf by



AHT Ball
Director

INTELLIGENT ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Group	Share capital £'000	Share premium account £'000	Merger reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 30 September 2017	1,621	19,740	18,250	(268,834)	(229,223)
Period ended 31 December 2018:					
Loss for the period	-	-	-	(13,038)	(13,038)
Effect of foreign currency translation differences	-	-	-	212	212
Total comprehensive income for the period	-	-	-	(12,826)	(12,826)
Transactions with owners:					
Shares issued	129	275,331	-	-	275,460
Balance at 31 December 2018	1,750	295,071	18,250	(281,660)	33,411
Year ended 31 December 2019:					
Loss for the year	-	-	-	(16,629)	(16,629)
Effect of foreign currency translation differences	-	-	-	182	182
Total comprehensive income for the year	-	-	-	(16,447)	(16,447)
Transactions with owners:					
Capitalisation of merger reserve	18,250	-	(18,250)	-	-
Reduction of share premium	(18,250)	(295,071)	-	313,321	-
Balance at 31 December 2019	1,750	-	-	15,214	16,964

On 13 August 2019, a bonus issue of ordinary shares to capitalise other reserves was completed. Subsequent to this the share capital was reduced leading to an increase in distributable reserves.

INTELLIGENT ENERGY LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Company	Share capital £'000	Share premium account £'000	Merger reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 30 September 2017	1,621	19,740	18,250	(269,719)	(230,108)
Period ended 31 December 2018:					
Loss for the year	-	-	-	(12,227)	(12,227)
Effect of foreign currency translation	-	-	-	(24)	(24)
Total comprehensive income for the year	-	-	-	(12,251)	(12,251)
Transactions with owners:					
Shares issued	129	275,331	-	-	275,460
Balance at 31 December 2018	1,750	295,071	18,250	(281,970)	33,101
Year ended 31 December 2019:					
Loss for the year	-	-	-	(16,191)	(16,191)
Effect of foreign currency translation differences	-	-	-	31	31
Total comprehensive income for the year	-	-	-	(16,160)	(16,160)
Transactions with owners:					
Capitalisation of merger reserve	18,250	-	(18,250)	-	-
Reduction of share premium	(18,250)	(295,071)	-	313,321	-
Balance at 31 December 2019	1,750	-	-	15,191	16,941

On 13 August 2019, a bonus issue of ordinary shares to capitalise other reserves was completed. Subsequent to this the share capital was reduced leading to an increase in distributable reserves.

INTELLIGENT ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £'000	15 month period ended 31 December 2018 £'000
Cash flows from operating activities			
Cash used in operations	18	(15,991)	(17,933)
Taxes (paid)/received		(132)	2,031
Net cash used in operating activities		<u>(16,123)</u>	<u>(15,902)</u>
Investing activities			
Purchase of intangible assets		(835)	(1,732)
Purchase of tangible assets		(519)	(220)
Proceeds on disposal of tangible fixed assets		26	-
Net cash inflow on acquisitions		-	256
Interest received		100	148
Net cash used in investing activities		<u>(1,228)</u>	<u>(1,548)</u>
Financing activities			
Proceeds from issue of shares		-	40,379
Proceeds from inter-company borrowing		-	-
Payment of finance lease obligations		(76)	(327)
Interest paid		-	(34)
Net cash (used in)/from financing activities		<u>(76)</u>	<u>40,018</u>
Net (decrease)/increase in cash and cash equivalents		(17,427)	22,568
Cash and cash equivalents at beginning of the period		25,054	2,499
Effect of exchange rate changes on foreign currency cash balances		(3)	(13)
Cash and cash equivalents at end of the period		<u>7,624</u>	<u>25,054</u>

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

Company information

Intelligent Energy Limited ("the company") is a private company limited by shares incorporated in England and Wales. The registered office and principal place of business is Charnwood Building, Holywell Park, Ashby Road, Loughborough, LE11 3GB.

The Group consists of Intelligent Energy Limited and all of its subsidiaries.

The company's and the Group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", including the adoption of the amendments issued in December 2017, ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £'000.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The company has therefore taken advantage of the exemptions of the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company is consolidated in these financial statements.

Reporting period

The company and the Group changed their accounting reference date in the prior period from 30 September to 31 December. The prior period was for the 15 months to 31 December 2018 but the current period is for the year ended 31 December 2019, and therefore the comparative amounts presented in these financial statements (including the related notes) are not fully comparable.

Basis of consolidation

The consolidated financial statements incorporate those of Intelligent Energy Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the period are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Basis of consolidation (continued)

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued, and liabilities incurred or assumed, plus directly attributable costs. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Where the cost of a business combination is lower than the fair value of identifiable net assets acquired, negative goodwill is recognised and subsequently amortised over the period in which the related assets and liabilities are settled.

Going concern

Subsequent to the acquisition of the Group, the Group has been recapitalised by Meditor. Meditor invested £40.4m of additional cash into the Group by way of equity and the Group is now debt free.

On 12 May 2020, Meditor Energy Limited made an additional significant equity investment of £15.0m in response to strong technology commercialisation and sales pipeline growth. Meditor have also confirmed their intention to provide additional financial support, if required, for a period of at least 12 months from the date of approval of the financial statements.

The Directors have prepared cash flow projections for the 12 month period from the date of approval of the financial statements. These projections are sensitive to changes in the underlying assumptions, the main one being revenue. These projections indicate that, based on the assumptions underlying the projections, sufficient resources will be available to settle liabilities as they fall due for a period of at least 12 months from the date of approving these accounts.

As noted under risks and uncertainties on page 4, the effects of the COVID-19 pandemic are being felt on a global scale with governments facing unprecedented challenges and taking the necessary counter measures to combat the spread of infection. The Group's trading results have not yet been impacted by COVID-19 however the Directors continue to carefully monitor the situation so appropriate actions are taken in a timely manner.

Despite COVID-19, the Directors remain confident that following the £15.0m cash injection by the investor in May 2020 and their continued support, the Group has the necessary means to meet its financial commitments with the ability to control costs to offset any shortfalls in revenue.

For these reasons, the Directors have adopted the going concern basis in preparing the annual financial statements.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and receivable turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before turnover is recognised:

Provision of engineering services

Consultancy for technology and product advancement turnover is recognised by reference to the stage of completion. Stage of completion is measured by reference to the cost of labour hours and materials for each contract. Past experience has shown costs incurred to be the best measure of progress. Where the contract outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

When contracts are extended or combined, the total consideration received is merged, and the turnover recognised over the full revised contract.

Where elements of contract turnover can be separately identifiable, this turnover is spread across the substantive delivery period for these elements. Where multiple element contracts are entered into and the constituent parts do not stand alone, all turnover is spread over the contract.

Sale of goods

Fuel cell and hydrogen generation product turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods.

Public body funded work

Project work is undertaken for public bodies where such work is of benefit to the Group's ongoing research and development activities. The Group measures turnover on such contracts using the stage of completion method, to ascertain the appropriate turnover to recognise during a contract. The stage of completion is measured by reference to the cost incurred as a percentage of total estimated cost.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received. A grant that specifies performance conditions is recognised in revenue when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in revenue when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. The amount up to the fair value of the non-monetary assets acquired is credited to profit or loss in the period in which those non-monetary assets are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to profit or loss in the periods expected to benefit, which the Directors consider to be one year.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

Patents	-	15 to 20 years
Software	-	3 to 5 years

Amortisation is revised prospectively for any significant change in useful life or residual value.

Patents

Patents have been granted on intellectual property rights for a period of 15 to 20 years by the relevant government agencies in countries where patents are applied for. Each patent application is carried at cost less accumulated amortisation and impairment losses. Patent renewal fees are taken to the statement of comprehensive income in the year in which they are incurred.

The Directors have elected not to capitalise development costs and such expenditure is expensed as incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is recognised on a straight-line basis over its expected useful life to its residual value, as follows:

Plant, machinery and equipment	-	3 to 5 years
Office equipment, fixtures and fittings	-	3 years

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

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Impairment of fixed assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials and goods for resale: purchase cost on a first-in, first-out basis
- Work in progress and finished goods: cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Obsolete and defective inventory is impaired to its estimated recoverable amount.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by Group undertakings, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and amounts owed to Group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets' fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

For the purposes of the financial information, the assets and liabilities of foreign operations are translated into sterling using exchange rates prevailing at the end of each financial year. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign currency translation reserve within equity.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key accounting estimates and assumptions

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Judgement is required in determining the recoverable amounts of these assets, particularly in preparing value in use calculations and assessing fair value.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Research and development tax credit

A tax credit is recognised based on costs that are expected to qualify for research and development tax relief. Management use judgement to assess the nature of costs incurred and identify those that are expected to qualify for this tax relief.

Contract turnover

The Group measures revenues on provision of engineering contracts using the stage of completion method, to ascertain the appropriate amount to recognise during a contract. The stage of completion is measured by reference to the contract costs incurred as a percentage of total estimated cost.

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The realisable value is an estimate based on the future activities of the business. The carrying value of inventories at the balance sheet date was £1,288,000.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3. Turnover

An analysis of the Group's turnover is as follows:

Turnover analysed by class of business	2019 £'000	2018 £'000
Provision of engineering services	818	3,368
Sale of goods	881	496
Research and development tax credits income	662	957
	<u>2,361</u>	<u>4,821</u>
 Turnover analysed by geographical market	 2019 £'000	 2018 £'000
United Kingdom	1,438	2,388
Europe	568	723
Rest of the World	355	1,710
	<u>2,361</u>	<u>4,821</u>

4. Loss before taxation

Loss before taxation is stated after charging/(crediting):

	2019 £'000	2018 £'000
Amortisation of intangible fixed assets	733	1,190
Impairment of intangible fixed assets	975	1,218
Depreciation of owned tangible fixed assets	415	961
Depreciation of tangible fixed assets held under finance leases	124	338
Profit on disposal of tangible fixed assets	(14)	-
Operating lease charges	895	826
Exchange loss	44	549
Research and development expenditure	4,825	5,027
Fees payable to the company's auditor and its associates:		
- for the audit of the company's financial statements	24	24
- for taxation compliance	4	12
- for other services	29	32
	<u></u>	<u></u>

The impairment of intangible assets above is included within exceptional items on the statement of comprehensive income.

Loss before taxation is stated after the reversal of inter-company interest of £nil (2018: £6,619k). This income arose as a result of the waiver of inter-company interest owed to Intelligent Energy Holdings plc.

Loss before taxation is stated after the release of negative goodwill of £nil (2018: £794k) which arose as a result of the acquisitions made during the prior period.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

5. Employees

The average monthly number of persons (including Directors) employed during the year was:

	Group		Company	
	2019 Number	2018 Number	2019 Number	2018 Number
Research and development	23	25	22	25
Operations and application engineering	98	87	97	87
Corporate and commercial	35	41	30	21
	<u>156</u>	<u>153</u>	<u>149</u>	<u>133</u>

Their aggregate remuneration comprised:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	7,583	9,935	7,087	8,577
Social security costs	796	942	771	942
Pension costs	312	294	306	285
	<u>8,691</u>	<u>11,171</u>	<u>8,164</u>	<u>9,804</u>

6. Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	295	545
Pension contributions to defined contribution schemes	29	11
	<u>324</u>	<u>556</u>

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018: 2).

Remuneration disclosed above includes the following amounts paid to the highest paid Director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	191	215
Pension contributions to defined contribution schemes	6	-
	<u>197</u>	<u>215</u>

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

7. Taxation

	2019 £'000	2018 £'000
Current tax		
Current year RDEC tax debit	134	182
Overseas tax credit	-	(106)
Total current tax	<u>134</u>	<u>76</u>
Deferred tax		
Adjustments to prior years	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax credit	<u>134</u>	<u>76</u>

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2019 £'000	2018 £'000
Loss before taxation	(16,495)	(12,962)
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	(3,134)	(2,463)
Expenses that are not deductible in determining taxable profit	28	142
Depreciation on assets not qualifying for tax allowances	20	-
Income not taxable in determining taxable profit	-	(1,258)
Additional deduction for R&D expenditure	172	3
RDEC expenditure debits	134	182
Overseas tax credit	-	(106)
Effect on deferred tax from change in average rate of tax	298	359
Deferred tax not recognised	<u>2,616</u>	<u>3,217</u>
Taxation for the year	<u>134</u>	<u>76</u>

A deferred tax asset in respect of unrelieved tax losses is not recognised due to the uncertainty of the Group generating sufficient taxable surpluses in the foreseeable future. The amount unprovided at 31 December 2019 net of other timing differences is £35,108,000 (2018: £29,332,000), using the substantively enacted rate of corporation tax at the year end of 17% (2018: 17%).

Factors that may affect future tax charge

Following the March 2020 budget, legislation has been put in place for the main rate of corporation tax to remain at 19% from 1 April 2020 instead of reducing to 17%. The deferred tax balances within these financial statements have been calculated at 17%.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

8. Intangible fixed assets

Group	Negative goodwill £000	Development costs £000	Patents £000	Software £000	Total £000
Cost					
At 1 January 2019	(794)	1,991	22,175	4,147	27,519
Additions	-	-	790	45	835
Transfers	-	-	91	(91)	-
At 31 December 2019	<u>(794)</u>	<u>1,991</u>	<u>23,056</u>	<u>4,101</u>	<u>28,354</u>
Amortisation					
At 1 January 2019	(794)	1,991	14,530	4,141	19,868
Amortisation charge for the year	-	-	687	46	733
Impairment charge for the year	-	-	975	-	975
Transfers	-	-	91	(91)	-
At 31 December 2019	<u>(794)</u>	<u>1,991</u>	<u>16,283</u>	<u>4,096</u>	<u>21,576</u>
Carrying amount					
At 31 December 2019	<u>-</u>	<u>-</u>	<u>6,773</u>	<u>5</u>	<u>6,778</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>7,645</u>	<u>6</u>	<u>7,651</u>

Company	Development costs £000	Patents £000	Software £000	Total £000
Cost				
At 1 January 2019	1,991	20,393	4,142	26,526
Additions	-	755	-	755
Transfers	-	91	(91)	-
Disposals	-	-	(20)	(20)
At 31 December 2019	<u>1,991</u>	<u>21,239</u>	<u>4,031</u>	<u>27,261</u>
Amortisation				
At 1 January 2019	1,991	13,032	4,136	19,159
Amortisation charge for the year	-	592	1	593
Impairment charge for the year	-	751	-	751
Transfers	-	91	(91)	-
Disposals	-	-	(20)	(20)
At 31 December 2019	<u>1,991</u>	<u>14,466</u>	<u>4,026</u>	<u>20,483</u>
Carrying amount				
At 31 December 2019	<u>-</u>	<u>6,773</u>	<u>5</u>	<u>6,778</u>
At 31 December 2018	<u>-</u>	<u>7,361</u>	<u>6</u>	<u>7,367</u>

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

8. Intangible fixed assets (continued)

Amortisation charged in the period is included within administrative expenses.

A review of the Group's and company's IP portfolio has concluded it appropriate to impair patents not aligned with the technology the Group is focused on commercialising. As such, an impairment charge of £975k (2018: £1,218k) has been recognised in the Group financial statements and £751k (2018: £nil) in the company's financial statements as an exceptional item.

9. Tangible fixed assets

Group	Plant, machinery and equipment £000	Office equipment, fixtures and fittings £000	Total £000
Cost			
At 1 January 2019	15,433	3,069	18,502
Additions	440	79	519
Transfers	619	(619)	-
Disposals	-	(105)	(105)
At 31 December 2019	<u>16,492</u>	<u>2,424</u>	<u>18,916</u>
Depreciation			
At 1 January 2019	15,373	2,426	17,799
Depreciation charge for the period	512	27	539
Transfers	45	(45)	-
Disposals	-	(93)	(93)
At 31 December 2019	<u>15,930</u>	<u>2,315</u>	<u>18,245</u>
Carrying amount			
At 31 December 2019	<u>562</u>	<u>109</u>	<u>671</u>
At 31 December 2018	<u>60</u>	<u>643</u>	<u>703</u>

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

9. Tangible fixed assets (continued)

Company	Plant, machinery and equipment £000	Office equipment, fixtures and fittings £000	Total £000
Cost			
At 1 January 2019	15,330	3,069	18,399
Additions	440	79	519
Transfers	619	(619)	-
Disposals	-	(105)	(105)
At 31 December 2019	<u>16,389</u>	<u>2,424</u>	<u>18,813</u>
Depreciation			
At 1 January 2019	15,275	2,424	17,699
Depreciation charge for the period	512	27	539
Transfers	45	(45)	-
Disposals	-	(93)	(93)
At 31 December 2019	<u>15,832</u>	<u>2,313</u>	<u>18,145</u>
Carrying amount			
At 31 December 2019	<u>557</u>	<u>111</u>	<u>668</u>
At 31 December 2018	<u>55</u>	<u>645</u>	<u>700</u>

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Office equipment, fixtures and fittings	<u>-</u>	<u>135</u>	<u>-</u>	<u>135</u>
Depreciation charge for the period in respect of leased assets	<u>124</u>	<u>338</u>	<u>124</u>	<u>338</u>

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

10. Investments

Company	Investments in subsidiaries £000
Cost	
At 1 January 2019	12,200
Disposals	(2,800)
At 31 December 2019	<u>9,400</u>
Provision	
At 1 January 2019 and at 31 December 2019	(12,200)
Reversal of provision	2,800
At 31 December 2019	<u>(9,400)</u>
Carrying amount	
At 31 December 2019 and at 31 December 2018	<u>-</u>

The investment in subsidiaries during the year represents 100% of the ordinary share capital of the following companies:

Name	Country of incorporation	Registered office	Principal activity
Intelligent Energy Inc	USA	19925 Stevens Creek, Suite 100, Cupertino, CA 95014, USA	Fuel processing development and partnering activities in the USA including IE fuel cell power systems in the USA.
MESOfuel Inc	USA	123 East Marcy Street, Suite 101, Santa Fe, NM 87501, USA	Dormant
Intelligent Energy Holdings (Singapore) Private Limited	Singapore	80 Robinson Road, #02-00 Singapore, 068898	Holding company
Intelligent Energy Japan Limited	Japan	Hayabusa Asuka Law Offices, Kasumigaseki Building 4F, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo 100-6004, Japan	Partnering activities in Japan including IE fuel cell power systems
Intelligent Energy India Private Limited	India	1st Floor, Ferns Icon, Doddanekkundi, Outer Ring Road, Bangalore 560 037, India	Non-trading
Essential Energy India Private Limited	India	1st Floor, Ferns Icon, Doddanekkundi, Outer Ring Road, Bangalore 560 037, India	Non-trading
Essential Energy (Operations) India Private Limited	India	1st Floor, Ferns Icon, Doddanekkundi, Outer Ring Road, Bangalore 560 037, India	Non-trading

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

10. Investments (continued)

Name	Country of incorporation	Registered office	Principal activity
E2 Energy Services Private Limited	India	1st Floor, Ferns Icon, Doddanekkundi, Outer Ring Road, Bangalore 560 037, India	Non-trading

Essential Energy India Private Limited, Essential Energy (Operations) India Private Limited and E2 Energy Services Private Limited are wholly owned subsidiaries of Intelligent Energy Holdings (Singapore) Private Limited. Intelligent Energy Limited controls these companies by way of its 100% shareholding in Intelligent Energy Holdings (Singapore) Private Limited.

Essential Energy (Operations) India Private Limited, a non-trading subsidiary, was dissolved on 24 March 2020.

E2 Energy Services Private Limited was dissolved on 2 May 2019.

Intelligent Energy Holdings (Singapore) Private Limited and Essential Energy India Private Limited are in the process of being wound down and liquidated.

11. Stocks

	Group and Company	
	2019	2018
	£'000	£'000
Raw materials, WIP and finished goods	1,288	1,035

12. Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	419	170	419	171
Corporation tax recoverable	8	10	-	-
Amounts owed by Group undertakings	-	-	362	631
Other debtors	1,481	1,051	1,454	1,009
Prepayments and accrued income	1,475	1,230	1,452	1,060
	<u>3,383</u>	<u>2,461</u>	<u>3,687</u>	<u>2,871</u>

During the period, a reversal of impairment losses of £3,000 (2018: an impairment loss of £109,000) was recognised in respect of trade debtors due from customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

13. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	273	824	272	820
Amounts owed to other Group undertakings	-	-	476	404
Other taxation and social security	55	61	51	59
Obligations under finance leases	-	76	-	76
Accruals and deferred income	2,412	2,473	2,161	2,239
Other creditors	40	59	30	58
	<u>2,780</u>	<u>3,493</u>	<u>2,990</u>	<u>3,656</u>

Obligations under finance leases are secured, details of which can be found in note 14.

14. Finance lease obligations

Future minimum lease payments due under finance leases:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Less than one year	-	79	-	79
Less: future finance charges	-	(3)	-	(3)
	<u>-</u>	<u>76</u>	<u>-</u>	<u>76</u>

Obligations under finance leases and hire purchase contracts were secured by the related assets and bore finance charges at a rate of 12% per annum.

Finance lease payments represented rentals payable by the Group and company for certain items of office equipment. Leases included purchase options at the end of the lease period, and no restrictions were placed on the use of the assets. The average lease term was three years. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

15. Retirement benefit schemes

	2019	2018
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>312</u>	<u>294</u>

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

16. Share capital

	2019 £'000	2018 £'000
Ordinary share capital		
Issued and fully paid		
35,000,000 Ordinary of 5p each	1,750	1,750

Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general meeting. The shares do not have any right to redemption.

17. Reserves

Share premium account

The balance classified as share premium relates to the total net proceeds less nominal value of shares on issue of the Group's equity share capital.

Merger reserve

The balance in the merger reserve prior to the capitalisation in the year was created on the acquisition of Advanced Power Sources Limited.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners. Also included in profit and loss reserves is amounts relating to share-based payments and foreign exchange differences which have been reanalysed during the year and were previously shown as part of 'Other reserves' along with the 'Merger reserve'.

18. Cash used in Group operations

	2019 £000	2018 £000
Loss after taxation	(16,629)	(13,038)
Adjustments for:		
Amortisation of intangible assets	733	1,190
Exceptional impairment of intangible assets	975	1,218
Depreciation of tangible fixed assets	539	1,299
Gain on disposal of tangible fixed assets	(14)	-
Reversal of inter-company interest	-	(6,619)
Negative goodwill released to profit	-	(794)
Interest payable	-	34
Interest receivable	(100)	(148)
Unrealised foreign exchange gain	340	-
Taxation	134	76
Operating cash flows before movements in working capital	(14,022)	(16,782)
Increase in stocks	(253)	(265)
(Increase)/decrease in debtors	(924)	171
Decrease in creditors	(792)	(1,057)
Cash used in operations	(15,991)	(17,933)

INTELLIGENT ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

19. Analysis of changes in net funds – Group

	1 January 2019 £'000	Cash flows £'000	Exchange rate movements £'000	31 December 2019 £'000
Cash at bank and in hand	25,054	(17,427)	(3)	7,624
Obligations under finance leases	(76)	76	-	-
	<u>24,978</u>	<u>(17,351)</u>	<u>(3)</u>	<u>7,624</u>

20. Operating lease commitments

Lessee

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

	Group and Company 2019 £'000	2018 £'000
Within one year	1,230	826
Between one and five years	718	69
	<u>1,948</u>	<u>895</u>

21. Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the Group, which includes the Directors, was £324,000 (2018: £603,000).

22. Controlling party

The immediate parent of the Group is Meditor Energy Limited, a company incorporated in Bermuda.

The ultimate controlling party is the trustee of the Nineveh Trust.

23. Events after the reporting date

On 12 May 2020, Meditor Energy Limited made an additional equity investment of £15.0m in response to strong technology commercialisation and sales pipeline growth.

Since the year end, the spread of the COVID-19 virus has escalated but has had minimal impact on the Group as countries have moved into lockdown. The impact and resulting actions taken by the Group have been commented upon in the Strategic Report and going concern note on page 7.