

Ceres Power Limited

Annual report and financial statements

Registered number 04222409

30 June 2016

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Directors and advisors

Directors

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

Company Secretary

Ms Caroline Buchan

Registered office

Viking House
Foundry Lane
Horsham
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RH13 5PX

Solicitor

DAC Beachcroft LLP
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Bristol
BS99 7UD

Independent Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
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West Sussex
RH11 9PT

Banker

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

Strategic report

The Directors present their strategic report on Ceres Power Limited (“Ceres Power”, “the Company”) for the year ended 30 June 2016.

Review of the Business

Strategy

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

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

Commercial

The Company's substantial technical progress in recent years has formed a solid foundation for the significant commercial headway we have made this year. We have been able to show real progress in our strategy of developing new applications for the SteelCell technology, aimed at high growth markets such as transportation and the commercial and light industrial sectors, in addition to our residential offering.

Our vision of a fuel cell in every home and business can only truly become a reality if we work with world-leading companies with the engineering capability and market access to bring these products to market. This year we have been able to engage with some of these companies, which is a testament to the quality and professionalism of the team at Ceres Power. Last year we stated that our target was to have five OEMs working on development programmes with the SteelCell technology within two years. We are on track to meet this, with three significant relationships secured this year, putting us on the path to commercialisation.

In January, we announced a relationship with Honda R&D for joint development of a stack which could be used in a variety of Honda's power system products. Honda produces over six million power products a year and is a world leader in small generators and engine technologies – developing one of the world's first micro-CHP products, the Honda ECOWILL. Our two-year programme with Honda comes after several years of testing and evaluating the SteelCell technology in Japan, and we believe it is one of the strongest endorsements to date of the quality of the technology and our team.

In June, we announced our first multi-kW customer programme for developing a higher power stack, with Nissan, one of the world's leading electric vehicle (EV) manufacturers. Nissan has a target of 2020 for launching an electric vehicle with a fuel cell range-extender that can run on biofuels. We are working with Nissan UK to develop a 5kW stack for such a range extender. This could enable the same range and refuelling time as a conventional combustion engine vehicle, but with significantly lower carbon and emissions. We were approached by Nissan due to the SteelCell technology's robustness for coping with the multiple cycling and rapid start-ups required for automotive applications. This could open a huge new market for the SteelCell, as pressure on diesel emissions is leading to more regulation globally, and as the cost of EV ownership continues to fall to the point where EV sales are predicted to reach 25% of all vehicles sold by 2025.

In September 2016, we finalised a contract with Cummins – backed by the US Department of Energy (DoE), and working with Pacific Northwest National Laboratory, a US DoE laboratory and the University of Connecticut – to develop a multi-kW power system for use in data centres and other commercial and light industrial applications. This is our first significant entry into the US market and our first development of a multi-kW system, which will build on synergies from the Nissan stack programme. The market for power for data centres and other commercial applications is growing rapidly. Data centres already account for around 2% of global electricity consumption. Cummins is one of the leaders in supplying back-up and temporary power systems to this market, and is an ideal partner for us.

Strategic report (continued)

Commercial (continued)

We have had significant commercial success in markets where the benefits of fuel cells are well understood, such as Asia and now the US. Therefore it was really pleasing to have the opportunity to join the Europe-wide field testing programme of residential micro CHP units, with the ene.field programme in partnership with British Gas. We have had a unit on test at British Gas over the past six months, and joining the ene.field programme is a great opportunity for us to show the maturity of the technology, and the benefits for the UK market, to some of the leading OEMs. This will be the first significant trial of residential fuel cells in the UK in recent years, and is a key step in the development of robust products we can deploy commercially with our OEM partners.

Since Tony Cochrane joined us as CCO, we've moved up a gear commercially, adding strength regionally to our business development teams. In addition to the programmes highlighted, over the year we have run test programmes at stack and system level in Japan, Korea and Europe. We continue to have a healthy pipeline of new opportunities to secure at least a further two OEM development programmes to meet our original target of five by the end of 2017. Furthermore, by the end of 2018 our intention is to take at least two of these OEM partners through to programmes where the SteelCell is selected as the technology to take through to full commercial product launch.

Technology and Operations

Our significant commercial progress this year was made possible by the commitment of the Technology and Operation teams, under the leadership of Mark Selby, CTO, and James Falla, COO.

We achieved a key milestone with the recent release to customers of our latest version of the SteelCell technology, version 4. This has reduced manufacturing costs by removing processing steps and through improved use of materials, and also by making high-speed production possible.

Version 4 also brings in more performance enhancements from R&D and Engineering, which further improve robustness and lifetime.

In January, we announced the successful installation of our high-speed print line, which has increased print-cycle processing speed by a factor of ten. The success was made possible through backing from an Innovate UK grant.

At a system level, our engineering teams have achieved a significant milestone with the release of the latest system architecture of the SteelGen. This is being tested for home use by British Gas, in the Europe-wide ene.field programme. Field testing will bring us real world operating experience of the technology and help us understand and demonstrate the savings anticipated in homes. Although we don't intend to make and sell the complete power system units, this is a key step in securing OEM partners, by helping them understand the maturity and suitability of the technology for deployment in homes.

Additionally, at a multi-kW level we have built for the first time a 5kW stack module and continue to test it in-house. This feeds into the work we will do for Nissan, Cummins and other multi-kW partners.

In the coming year, our R&D investment and efforts will focus on further improving lifetime and reliability, working closely with our customers to develop methodologies to predict technology lifetime. This will increase confidence in the robustness and readiness of the technology to be deployed, thus reducing testing and development times for commercial launch programmes.

Financial

As described above, our strategy for entering commercial partnerships is becoming a reality and, for the financial year ended 30 June 2016, this translated into revenue and other income of £1.7 million (2015: £0.9 million). Of this, £1.1 million was customer revenue (2015: £0.3 million) and £0.6 million was other income, primarily from government grants (2015: £0.5 million). £0.6 million of revenue was due to the release of deferred revenue as we demonstrated our prototype residential system at British Gas during the second half of the year. We have invested in people and capabilities to support our strategy of developing high power systems.

Strategic report (continued)

Financial (continued)

We expect to continue to grow top line revenue and other operating income as we bring through more pipeline opportunities. Thanks to recently signed commercial agreements, today our customer and government grant order book is already over £2 million.

As we increase our number of customers, and they progress from evaluation to product development and then to commercial launch, we anticipate each progression will increase the revenue contribution, reducing our underlying cash burn year on year towards break even.

The successful fundraising by the Company's ultimate 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, which at 30 June 2016 was £6.9 million. This stands us in good stead for the next few years, during which we plan to further our commercial opportunities.

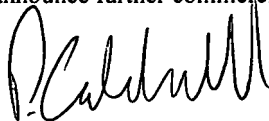
People

Due to the quality of our OEM partners, it is important we attract and retain talented people to work with them. We have hired some key individuals this year, and continue to attract exceptional people. We have added to the commercial, engineering and programme delivery sides of the business to support our growing number of customer programmes.

I'd personally like to thank everyone at Ceres Power for their dedication and hard work over the past year, and I look forward to an exciting year ahead.

Outlook

This is an exciting stage in the Company's growth. We are targeting five global engineering companies as customers in joint development agreements by the end of 2017 and aiming to be in two launch programmes with OEM partners by the end of 2018. We have made good progress towards these objectives and I am looking forward to being able to announce further commercial progress in the year ahead.



Phil Caldwell
Chief Executive Officer
25 November 2016

Directors' report

The Directors present their Directors' Report and the audited financial statements of the Company for the year ended 30 June 2016.

Research and development

During the year, the Company incurred expenditure of £10,189,757 (2015: £8,752,925) on research and development, all of which was written off to the profit and loss account.

Financial instruments

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

Results and proposed dividend

The Company made a loss for the financial year of £9,353,623 (2015: £9,063,683).

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

Going concern

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

Principal risks and uncertainties

In addition to financial risk management, there are a number of risks and uncertainties which could potentially have an impact on the execution of the Group's strategy, as well as on its short-term results. The Directors have identified the risks that are deemed principal to its business due to their potential severity. These principal risks are identified along with the mitigations the Group uses to manage any possible impact.

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

Risk	Description	Mitigation	Change
<i>Technology</i>	<p>The risk is that we will not be able to successfully develop and apply the Company's fuel cell technology to potential products at the right cost point or performance.</p> <p>The risk that technology is successfully developed but slower than anticipated.</p> <p>The risk that technical failure at public field trials could affect customer sentiment.</p> <p>The risk has reduced due to the progress of the internal and customer validations of the technology in the year.</p>	<p>Ceres Power's prime focus is to deliver its technology for customers, as well as to continually improve the technology to maintain technological advantage.</p> <p>Targeting new markets that require different technical attributes also mitigates the risk.</p>	Decrease

Directors' report (continued)

Risk	Description	Mitigation	Change
<i>Competitive and market</i>	<p>The risk is the competitive advantages of our technology are eroded and this impacts the Group's future profitability and growth opportunities.</p> <p>The risk is reducing as the following drivers to risk are becoming more favourable: obsolescence, emerging alternative technologies, the development of markets, changing regulations and trends against fossil fuels.</p>	<p>Our strategy addresses different geographical markets and we are broadening the applications available, mitigating failure in a single market or product.</p> <p>We monitor competitor activity and market developments continuously.</p>	Decrease
<i>Intellectual Property protection</i>	<p>The Group's competitive advantage is at risk from successful challenges to its patents, unauthorised parties using the Group's technology in their own products, or others designing around existing IPR.</p> <p>This risk has risen as we increasingly share more of our technology with partners, in line with our strategy.</p>	<p>There are internal procedures and controls in place to capture and exploit all Intellectual Property ("IP") as well as to protect, prevent and control disclosure to third parties and partners.</p> <p>Contractual provisions with partners and IP insurance provides additional protection to the Group for agreement, pursuit and defence of IP.</p>	Increase
<i>Commercial</i>	<p>There is a risk that our partners do not use our technology in their products or go to market slower than anticipated.</p>	<p>We continue to increase our pipeline of customers and expand market applications, mitigating the risk of individual customers who may not wish to move forward.</p>	No change
<i>Operational</i>	<p>There is a risk that the Company is unable to satisfy customer contracts due to growth management, short-term manufacturing or development issues or its supply chain.</p> <p>There is a risk that we cannot remain in our facilities in Horsham beyond the end of the current lease.</p>	<p>We plan for growth to meet demand and continually monitor our manufacturing processes and resources to deliver programmes and work with suppliers to ensure quality and timely delivery.</p> <p>As well as looking at alternative locations, we are working to extend the tenure in our current site.</p>	No change
<i>Key personnel dependence</i>	<p>There is a risk of disruption to operations and damage to the business due to key personnel leaving the business.</p>	<p>The Directors have put in place a long-term incentive scheme (LTIP) and have granted share options to key personnel, which support their competitive remuneration packages and restrictive employment covenants already in place.</p>	No change

Directors' report (continued)

Risk	Description	Mitigation	Change
<i>Supplier dependence</i>	There is a risk that our partners may be unable or unwilling to co-develop or supply key components.	We continue to work closely with our suppliers and partners.	No change
<i>Access to capital</i>	It is possible the Group may need additional equity funding to fully commercialise its technology. The risk has fallen as the Group raised £20 million in a placing in October 2016.	The Group is targeting meeting its financing needs from a mix of customer revenue, grant funding, tax credits and equity funding, which may be sought from institutional, retail or strategic sources.	Decrease

Financial risk management

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

The Company's exposure to credit risk arises from if a counterparty or customer fails to meet its contractual obligations. Trade receivables at the year end relate to one customer (2015: three), of which £53,000 (2015: £80,000) relates to the Asian geographic region. The Group's customers are generally large multinational companies and are consequentially not considered to add significantly to the Group's credit risk exposure. All trade receivables are due within the agreed credit terms for the current and preceding years and are consequently stated at cost.

The exposure to foreign currency risk is minimised by the fact that a majority of transactions are carried out in pound sterling. Exposures to foreign currency denominated contracted receivables and commitments arise from the Company's overseas sales and purchases, which are primarily denominated in US dollars, euros and Japanese yen. The Company seeks to mitigate its foreign currency exposure by entering into forward currency exchange contracts in accordance with the Group's Treasury Policy.

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

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.

Directors

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

Mr Philip Caldwell (Chief Executive Officer)
Mr Richard Preston (Chief Finance Officer)
Mr Jonathan Watkins (Commercial Director) – resigned 23 June 2015
Dr Mark Selby (Chief Technical Officer)
Mr James Falla (Chief Operations Officer) – appointed 30 July 2015

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

Directors' report (continued)

Charitable and political contributions

The Company made no charitable or political donations or incurred any political expenditure during the year (2015: £nil).

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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2 to 4.

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:



Mr Richard Preston
Director
25 November 2016

Statement of directors' responsibilities in respect of the annual 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of Ceres Power Limited for the year ended 30 June 2016 set out on pages 11 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice including FRS 101 Reduced Disclosure Framework).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton road, Crawley
RH11 9PT
25 November 2016

**Profit and Loss Account and Other Comprehensive Income
for the year ended 30 June 2016**

	Notes	2016 £	2015 £
Turnover	2	1,113,320	324,073
Cost of sales		(335,694)	(191,256)
Gross Profit		777,626	132,817
Other operating income	3	555,403	620,808
Operating costs	4	(12,844,561)	(11,388,678)
Operating loss		(11,511,532)	(10,635,053)
Interest receivable and similar income		516	847
Loss on ordinary activities before taxation	4	(11,511,016)	(10,634,206)
Tax on loss on ordinary activities	7	2,157,393	1,570,523
Loss for the financial year and total comprehensive loss		(9,353,623)	(9,063,683)

The notes on pages 14 to 27 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 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	8	2,309,429	2,080,391
Current assets			
Debtors	9	3,412,560	2,645,027
Cash at bank and in hand		704,699	1,000,930
		4,117,259	3,645,957
Creditors: amounts falling due within one year	10	(85,545,549)	(75,113,330)
Net current liabilities		(81,428,290)	(71,467,373)
Total assets less current liabilities		(79,118,861)	(69,386,982)
Creditors: amounts falling due after more than one year	11	(31,402)	(1,100,605)
Provisions for liabilities	12	(943,897)	(1,254,663)
Net liabilities		(80,094,160)	(71,742,250)
Capital and reserves			
Called up share capital	14	4,176	4,176
Share premium account		9,547,273	9,547,273
Profit and loss account		(89,645,609)	(81,293,699)
Total shareholders' deficit		(80,094,160)	(71,742,250)

The notes on pages 14 to 27 form an integral part of these Financial Statements.

The financial statements on pages 11 to 27 were approved by the board of Directors on 25 November 2016 and were signed on its behalf by:



Mr Richard Preston
Director

Ceres Power Limited
Registered Number: 04222409

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Share capital £	Share premium account £	Profit and loss account £	Total £
At 1 July 2014		4,176	9,547,273	(73,295,707)	(63,744,258)
Comprehensive income					
Loss for the financial year and total comprehensive loss		-	-	(9,063,683)	(9,063,683)
Total comprehensive loss		-	-	(9,063,683)	(9,063,683)
Transactions with owners					
Share-based payment charge	4	-	-	1,065,691	1,065,691
Total transactions with owners		-	-	1,065,691	1,065,691
At 30 June 2015		4,176	9,547,273	(81,293,699)	(71,742,250)
Comprehensive income					
Loss for the financial year and total comprehensive loss		-	-	(9,353,623)	(9,353,623)
Total comprehensive loss		-	-	(9,353,623)	(9,353,623)
Transactions with owners					
Share-based payment charge	4	-	-	1,001,713	1,001,713
Total transactions with owners		-	-	1,001,713	1,001,713
At 30 June 2016		4,176	9,547,273	(89,645,609)	(80,094,160)

The profit and loss reserve includes an amount of £504,000 (2015: £504,000) that is non-distributable.

The notes on pages 14 to 27 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Accounting policies

Basis of preparing the financial statements

Ceres Power Limited (the “Company”) is a company incorporated and domiciled 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.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 19.

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

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

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

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

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 July 2014 for the purposes of the transition to FRS 101.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Basis of preparing the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Material estimates and assumptions are made in particular with regard to: providing for onerous leases and dilapidations; choosing the appropriate method with which to recognise grant income and evaluation and development related revenue (revenue is recognised over the evaluation and development phase of each contract based on the costs incurred ('percentage of completion'); and recognising R&D tax credits.

When arriving at these estimates and underlying assumptions the Directors considered factors such as advice from professional advisors and past experience of liaising with tax authorities. The financial impact of changes to these assumptions is as follows: if the onerous leases were partially sublet, or the revenue contracts were 10% less complete, or if 10% less tax credit was received, then the impact would be immaterial.

Measurement convention

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

Going concern

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

Foreign currency

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

Non-derivative financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Cash and cash equivalents

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

Derivative financial instruments

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Tangible fixed assets

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

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

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

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

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

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

Research and development

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

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

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

Government grants

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

Impairment

Financial assets (including trade and other debtors)

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Financial assets (continued)

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

Non-financial assets

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Employee benefits

Defined contribution plans

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

Short-term benefits

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

Share-based payment transactions

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Share-based payment transactions (continued)

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

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

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Turnover is shown net of value added tax and other sales taxes. Amounts received or receivable under evaluation and development contracts are recognised as revenue when earned, as calculated on a percentage of completion basis, based on costs incurred to date versus total estimated costs over the period that the related work is performed, subject to certainty of receipt of cash, or when any specific conditions in agreements have been met. If a loss is expected in respect of a contract, the entire loss is recognised immediately in the profit and loss account. All direct costs relating to these evaluation and development contracts are recorded as cost of sales.

Operating lease payments

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

Interest receivable

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

Taxation

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

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

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

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

Notes to the Financial Statements (continued)

2 Turnover

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

	2016	2015
	£	£
Europe	585,736	58,650
Asia	527,584	265,423
	1,113,320	324,073

During the year deferred revenue of £585,736 (2015: £nil) was released in respect of contracted work completed for British Gas.

3 Other operating income

	2016	2015
	£	£
Government grants	550,745	601,623
Other Income	4,658	19,185
	555,403	620,808

4 Expenses and auditor's remuneration

Included in the on ordinary activities before taxation are the following:

	2016	2015
	£	£
Operating costs are split as follows:		
Research and development costs	10,189,757	8,752,925
Administrative expenses – recurring	2,930,706	2,635,753
	13,120,463	11,388,678
Reversal of provision relating to onerous lease and Property dilapidations (note 12)	(275,902)	-
	12,844,561	11,388,678

Notes to the Financial Statements (continued)

4 Expenses and auditor's remuneration (continued)

	2016	2015
	£	£
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year on tangible owned fixed assets	1,177,665	972,000
Release of deferred income (grants)	-	(46,214)
Auditor remuneration:		
Audit services		
- remuneration receivable by the Company's auditor for the auditing of the financial statements	21,525	21,250
Other services		
- other services relating to taxation	9,000	4,500
- other services	19,255	750
Net gain on financial instruments designated as fair value through profit or loss	(20,857)	-
Gain on foreign exchange	(27,703)	(17,634)
Share-based payment charge	1,001,713	1,065,691

5 Staff numbers and costs

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

	2016	2015
	Number	Number
By activity:		
Servicing customers	5	4
Research and development	91	79
Administration	14	13
	110	96

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Staff costs (for the above persons):		
Wages and salaries, including compensation for loss of office	5,059,643	4,534,748
Social security costs	553,531	498,450
Share-based payments	1,001,713	1,065,691
Contributions to defined contribution plans	347,707	301,381
	6,962,594	6,400,270

A total of £127 was payable in respect of pension contributions by the Company at the year end (2015: £45,425).

Notes to the Financial Statements (continued)

6 Directors' remuneration

	2016	2015
	£	£
Directors' remuneration	713,917	578,350
Company contributions to defined contribution plans	45,673	41,533
	759,590	619,883

	2016	2015
	£	£
Highest paid Director		
Aggregate emoluments	274,000	215,000
Company contributions to defined contribution pension schemes	15,680	15,000
	289,680	230,000

Three Directors of the Company are also directors of other Group companies and the direct costs of these Directors have been recharged to other Group companies based on an apportionment of their daily activities undertaken in respect of each Group company. The emoluments included above are the total costs incurred by the Company and are not reduced by any costs recharged to other Group companies. The value of the recharges relating to Directors emoluments in the year is £140,535 (2015: £147,302).

Four Directors (2015: four) have retirement benefits accruing under defined contribution pension schemes.

Four Directors (2015: four) held options in the ultimate holding company, Ceres Power Holdings plc, at 30 June 2016. No Directors exercised options held in the holding company during the year (2015: none).

7 Taxation

Recognised in the profit and loss account

	2016	2015
	£	£
UK corporation tax – R&D tax credit	1,996,877	1,519,000
Adjustment in respect of prior years – R&D tax credit	162,442	51,523
Foreign tax – Withholding tax charge	(1,926)	-
Tax credit on loss on ordinary activities	2,157,393	1,570,523

No corporation tax liability has arisen during the year (2015: £nil) due to the losses incurred. A tax credit has arisen as a result of the tax losses being surrendered in respect of research and development expenditure.

Notes to the Financial Statements (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

The tax assessed for the year is different from the standard rate of small profits UK corporation tax of 20% (2015: 20%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before taxation	(11,511,016)	(10,634,206)
Loss on ordinary activities before taxation at the UK tax rate of 20% (2015: 20%)	(2,302,203)	(2,126,841)
Effects of:		
Enhanced tax deductions for R&D spend	(1,476,047)	(1,374,536)
Expenses not deductible for tax purposes	187,252	204,862
Accelerated capital allowances and other timing differences	250,636	201,265
Losses carried forward	529,985	696,172
Share Option relief	(57,025)	-
Withholding Tax	1,926	-
Adjustment in respect of prior years – R&D tax credit	(162,442)	(51,523)
Difference between R&D tax credit and small company tax rates	870,525	880,078
Total current tax credit	(2,157,393)	(1,570,523)

The small profits UK corporation tax rate remained at 20% throughout the year.

Deferred taxation

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

	Amount recognised 2016 £	Amount recognised 2015 £	Amount unrecognised 2016 £	Amount unrecognised 2015 £
Tax effect of timing differences because of:				
Difference between capital allowances and depreciation	–	–	(1,953,615)	(1,727,175)
Deductions relating to share options	–	–	(340,374)	(353,569)
Losses carried forward	–	–	(9,132,596)	(8,585,040)
	-	-	(11,426,585)	(10,665,784)

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

Notes to the Financial Statements (continued)

8 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Computer equipment £	Fixtures and fittings £	Assets under construction £	Total £
Cost						
At 1 July 2015	1,957,572	7,363,689	744,137	70,050	-	10,135,448
Additions	93,634	1,116,913	91,243	-	104,913	1,406,703
At 30 June 2016	2,051,206	8,480,602	835,380	70,050	104,913	11,542,151
Accumulated depreciation						
At 1 July 2015	1,271,297	5,999,192	715,401	69,167	-	8,055,057
Charge for the year	377,995	758,688	40,099	883	-	1,177,665
At 30 June 2016	1,649,292	6,757,880	755,500	70,050	-	9,232,722
Net book value						
At 30 June 2016	401,914	1,722,722	79,880	-	104,913	2,309,429
At 30 June 2015	686,275	1,364,497	28,736	883	-	2,080,391

9 Debtors: amounts falling due within one year

	2016 £	2015 £
Trade debtors	53,361	80,000
Amounts owed by group undertakings	340,986	181,519
Corporation tax receivable	1,996,877	1,519,000
Other debtors	427,606	581,881
Derivative financial assets – forward foreign exchange contracts	28,115	-
Prepayments	322,630	240,366
Accrued income	242,985	42,261
	3,412,560	2,645,027

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

Notes to the Financial Statements (continued)

10 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	693,215	480,469
Amounts owed to group undertakings	83,569,845	73,560,404
Taxation and social security payable	155,682	153,284
Other creditors	16,311	74,627
Derivative financial liability – forward foreign exchange contracts	7,258	-
Accruals	595,203	840,796
Deferred income	508,035	3,750
	85,545,549	75,113,330

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

11 Creditors: amounts falling after more than one year

	2016	2015
	£	£
Accruals	31,402	75,567
Deferred income	-	1,025,038
	31,402	1,100,605

12 Provisions

	Property dilapidations	Onerous leases	Total
	£	£	£
At 1 July 2015	755,736	498,927	1,254,663
Provisions made during the year	80,999	-	80,999
Utilised during the year	(1,629)	(114,234)	(115,863)
Reversed during the year	(25,729)	(250,173)	(275,902)
At 30 June 2016	809,377	134,520	943,897
	Property dilapidations	Onerous leases	Total
	£	£	£
Current	-	77,688	77,688
Non-Current	809,377	56,832	866,209
At 30 June 2016	809,377	134,520	943,897

Notes to the Financial Statements (continued)

12 Provisions (continued)

The dilapidation provision recognised matches the present value of costs to be incurred, which is materially the same as the expected costs to be incurred, in making good the company's various leasehold properties at the end of their respective leases. The onerous lease provision recognised provides for the full cost of the remaining life of the leases on properties after the date that the company expects these properties to have no further use.

13 Contingent liabilities

£705,000 (2015: £705,000) of government grants received, or an element thereof, may require repayment if the Company generates revenue (net of expenses and reasonable overheads) from the intellectual property created from the grant. In such case, the Company may be liable to pay back the grant at a rate of 5% of the net revenue generated in any one year. The Directors of the Company believe it is unlikely that any of the grants received will need to be repaid in the foreseeable future:

14 Share capital

	2016 £	2015 £
Allotted and fully paid		
4,176,306 (2015: 4,176,306) ordinary shares of £0.001 each	4,176	4,176

15 Operating leases

At 30 June 2016, the Company had annual commitments under non-cancellable operating leases as follows:

		2016		2015
	Land and Buildings	Other	Land and Buildings	Other
Less than one year	365,288	5,994	478,142	10,573
Between one and five years	206,505	10,050	682,483	1,575
More than five years	-	-	-	-
	571,793	16,044	1,160,625	12,148

At the year end the Company held operating leases for two of properties, primarily the facility in Horsham and one legacy facility in Crawley (2015: three). After the year end the lease for the facility in Crawley was surrendered.

At the year end property leases had an average minimum lease term of 1.6 years (2015: 2-3 years).

The Company is working with the landlord to extend the lease to its facilities at Viking House, Horsham and is looking to finalise this shortly after the approval of these financial statements.

During the year £335,522 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £311,988).

16 Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £254,802 as at 30 June 2016 (2015: £507,000).

17 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.

Notes to the Financial Statements (continued)

18 Ultimate parent company and parent company of larger group

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

Ceres Power Holdings plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 30 June 2016.

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/>.

19 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening FRS 101 balance sheet at 1 July 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of loss for comparative year

	Note	UK GAAP £	2015 Effect of transition to FRS 101 £	FRS 101 £
Turnover		324,073	-	324,073
Cost of sales		(191,256)	-	(191,256)
Gross profit		132,817	-	132,817
Other operating income		620,808	-	620,808
Operating costs	a	(11,401,197)	12,519	(11,388,678)
Operating loss		(10,647,572)	12,519	(10,635,053)
Interest receivable and similar income		847	-	847
Loss on ordinary activities before taxation		(10,646,725)	12,519	(10,634,206)
Taxation				
Tax on loss on ordinary activities		1,570,523	-	1,570,523
Loss for the year		(9,076,202)	12,519	(9,063,683)

Notes to the reconciliation of loss

- a) The transition adjustment relates to the increase in the holiday pay accrual in the year of £21,498 and release of £34,017 from accruals relating to the rent free period on the various Company properties.

Explanation of material adjustments to the cash flow statement for comparative year

Under UK GAAP, the company was not required to, and did not, prepare a cash flow statement.

Notes to the Financial Statements (continued)

19 Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of equity

		1 July 2014			30 June 2015		
		Effect of			Effect of		
	UK GAAP	transition to	FRS 101	UK GAAP	transition	FRS 101	
Note	£	FRS 101	£	£	to FRS 101	£	£
Fixed assets							
Tangible fixed assets	1,779,624	-	1,779,624	2,080,391	-	2,080,391	
Debtors: amounts due within one year							
Trade debtors	-	-	-	80,000	-	80,000	
Amounts owed by group undertakings	43,717	-	43,717	181,519	-	181,519	
Other debtors	531,977	-	531,977	581,881	-	581,881	
Corporation Tax	1,165,544	-	1,165,544	1,519,000	-	1,519,000	
Prepayments and accrued income	635,522	-	635,522	282,627	-	282,627	
Cash at bank and in hand	842,430	-	842,430	1,000,930	-	1,000,930	
	3,219,190	-	3,219,190	3,645,957	-	3,645,957	
Creditors: amounts due within one year							
Trade creditors	288,750	-	288,750	480,469	-	480,469	
Amounts owed to group undertakings	65,137,911	-	65,137,911	73,560,404	-	73,560,404	
Taxation and social security	117,863	-	117,863	153,284	-	153,284	
Other creditors	47,316	-	47,316	74,627	-	74,627	
Accruals and deferred income	a 404,665	182,007	586,672	674,384	170,162	844,546	
	65,996,505	182,007	66,178,512	74,943,168	170,162	75,113,330	
Net current liabilities	(62,777,315)	(182,007)	(62,959,322)	(71,297,211)	(170,162)	(71,467,373)	
Debtors: amounts falling due after more than one year							
Prepayments and accrued income	57,869	-	57,869	-	-	-	
Creditors: amounts falling due after more than one year							
Accruals and deferred income	a 1,180,102	33,962	1,214,064	1,067,317	33,288	1,100,605	
Provisions for liabilities							
Provisions	1,408,365	-	1,408,365	1,254,663	-	1,254,663	
Net liabilities	(63,528,289)	(215,969)	(63,744,258)	(71,538,800)	(203,450)	(71,742,250)	
Capital and reserves							
Called up share capital	4,176	-	4,176	4,176	-	4,176	
Share premium account	9,547,273	-	9,547,273	9,547,273	-	9,547,273	
Profit and loss account	a (73,079,738)	(215,969)	(73,295,707)	(81,090,249)	(203,450)	(81,293,699)	
Shareholders' equity	(63,528,289)	(215,969)	(63,744,258)	(71,538,800)	(203,450)	(71,742,250)	

Notes to the reconciliation of equity

- a) The transition adjustment relates to the inclusion of a holiday pay accrual and extension to the period over which the rent free period on the various Company properties is recognised.