Ceres Power Limited

Annual report and financial statements

Registered number 04222409

30 June 2018

Contents

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
West Sussex
RH13 5PX

Solicitor

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Strategic report

The Directors present their strategic report for Ceres Power Limited ("Ceres Power", "Ceres", "the Company") for the year ended 30 June 2018.

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 commercial, transportation and residential markets globally with a current focus in North America, Asia and Europe. The Group (comprising Ceres Power Holdings plc and its subsidiaries) offers engineering services to help product development and licences the technology and receives royalty income on future product sales.

The Group has successfully raised £77.1 million since the end of the financial year through a combination of a placing in July with Weichai Power and institutional financial investors and an additional recent equity investment with Bosch.

Overview of performance

This year has been transformational for Ceres Power and the Group which has recently signed two strategic partnerships with Weichai Power and Bosch and secured a strong order book and cash position that allows the Group to deliver against its business plan and establish Ceres as a leading player in the global fuel cell industry. This was only made possible by the dedication and hard work of everyone at Ceres Power who continue to deliver year on year against the business plan of partnering with the world's best companies while continuing to develop the core SteelCell® technology. In the year ahead the Group will face some challenges as it manages the competing priorities of servicing customers, maintaining its leading R&D and increasing capacity. Over the past 12 months the Group has begun to put in place a strong foundation in order to scale the business to meet its growing commercial demand.

A key reason for the additional capital raise by Ceres Power Holdings plc post year end was to enable this growth and the Company has secured an additional manufacturing facility in the UK. This will meet near-term customer demand and act as a reference plant for partners to license manufacturing. The year ahead will provide fresh opportunities and challenges as the Group looks to deliver to the high standards demanded by its commercial partners and scale-up the business with additional manufacturing capacity.

Commercial Progress

This has been an excellent year commercially as the Group signed two new partnerships with Bosch and Weichai Power and made good progress with existing partners. Revenue and Other income grew 71% year on year from £4.1 to £7 million and contracted order book also grew significantly from £3.2 million to £30 million (as at 8 October 2018). We expect this trend of strong revenue growth to continue into next year as partners progress through Joint Development projects to licensing the technology with significant up-front payments for licences and technology transfer. We now have several partners on this path as summarised below.

Bosch

In August 2018, the Group signed a strategic partnership with Bosch with which we had been working with as the 5th unnamed European Partner. There is an obvious synergy with Bosch's capability as a world-leading technology and manufacturing business and the processes to make the SteelCell®. The collaboration will further develop the technology, establish low-volume production at Bosch, and help enable the future scale up and mass manufacture of the SteelCell® for use in multiple applications including Bosch's target market: small power stations to be used in cities, factories, data centres and charge points for electric vehicles.

The Collaboration License and Joint Development Agreements provide significant staged revenue through Technology Transfer and licensing of 5kW stacks worth approximately £20 million over the next two years subject to performance criteria and could result in significant longer-term royalties on 5kW SteelCell® stacks. In addition, Bosch has made a £9 million strategic equity investment in Ceres.

Not only does the partnership further validate the Groups licensing business model but also Bosch has the potential to become a significant manufacturing partner for Ceres in the future.

Strategic report (continued)

Commercial (continued)

Weichai

China is rapidly becoming the fastest growing market for fuel cells, driven by regulation and incentives from the Chinese government to improve air quality. Management had identified that the Chinese market would be a key part of Ceres' future growth but securing the right partner was essential. Therefore, in May the Group were delighted to sign a deal with Weichai Power, one of the leading automobile and equipment manufacturing companies in China which produces over 600,000 engines per year.

The initial plans are for Ceres and Weichai Power to jointly develop and launch an SOFC fuel cell range extender system for China's fast growing electric powered bus market. Weichai Power has a wide network of customers in China and sells c.30,000 buses per year.

The agreement potentially provides significant staged revenues to Ceres Power through technology transfer, engineering services, licence and royalty payments and a longer-term share in the profits of a proposed manufacturing Joint Venture. As part of this agreement Weichai Power has invested £48 million for a 20% equity stake in Ceres Power Holdings plc.

Other partners

In August this year, the Group announced a new partnership with Nissan and The Welding Institute backed by the UK Government's Advanced Propulsion Centre (APC) to further develop the 5kW stack for electric vehicle applications. This builds on a successful two-year relationship with Nissan on the UK Innovate EVRE (Electric Vehicle Range Extender) programme. Under this new APC programme Ceres Power should receive up to £7 million of grant funding over the next 3 years to adapt our current 5kW stack for vehicle use which will culminate in demonstrating the stack in a Nissan-designed system suitable for a variety of fuels (including biofuels).

The UK Government's 'Road to Zero' strategy, which requires a significant reduction in CO2 emissions, is accelerating the shift to battery Electric Vehicles (EVs). Introducing fuel cell technology alongside batteries further enables increased drive range and has the potential to help accelerate the uptake of battery EVs.

In addition to these new major contracts, the Company continues to progress existing relationships. The Company's first 'go-to-market' partnership with an unnamed OEM for a multi-kW product targeting applications in the business sector is progressing well and is due to start field trials this year as the next step towards product launch.

As part of a US Department of Energy programme, Cummins and Ceres Power have made significant progress developing an innovative, modular 10kW Solid Oxide Fuel Cell system and the first of a kind prototype system is due to start commissioning in the UK shortly. This will target high electrical efficiency of 60% and be inherently scalable to meet multiple distributed power applications. One target application will be the fast-growing data centre market which currently accounts for 2% of global electricity consumption. Cummins is a global leader in supplying back up and temporary power systems to this market and the largest independent manufacturer of diesel engines.

In addition, over the past year we have signed several Technology Evaluation Agreements with prospective OEMs in Asia with the potential to add new partnerships this year.

Technology Update

The Company has made significant technical progress with its V5 technology which is being released to customers. The results from the in-house testing and validation show lower degradation rates and higher efficiencies than the V4 technology. We have achieved 60% net electrical efficiency in a customer development system achieving a significant milestone for the Company. These achievements mean the technology is amongst the best performing SOFCs in the industry, with the robustness and cost advantages of the SteelCell®. The new 5kW stack development is well underway with first of a kind results with Nissan showing promising performance through the EVRE programme. This is a key new platform supporting the Company's work with Nissan, Cummins and more recently Weichai Power and Bosch

Strategic report (continued)

Technology (continued)

to provide multi kW modules that can address higher power high-volume markets such as the data centre and automotive applications.

To accelerate the development and scale up of the 5kW stack, the Company is working on processes and design for manufacture with Bosch for the industrialisation of the technology. The first generation 5kW stack will deliver higher volumetric power density and lower costs through economies of scale compared with the existing 1kW stack platform. This will then be further refined in a second generation stack which will look at further improvements in power density and cost.

The technology team has played an important role in the transfer of the Company's technology and system capability and work is underway with Weichai Power to scale our system capability to a 30kW range extender for Electric bus and other applications in China.

The team is also supporting our unnamed partner following technology transfer of our 1kW system design for a multi kW application which is undergoing testing at the customer's site. The team continues to provide valuable support to Joint Developments with customers globally as well as new technology assessments across the world.

Operations Update

Due to a significant increase in customer demand for the SteelCell® technology, particularly for higher power applications, the Company is investing in additional manufacturing capacity initially at Horsham and at a new site in Redhill. At the new facility we are investing £7 million over 2 years which will create 60 new manufacturing and engineering jobs in the UK.

This investment in near-term additional capacity in the UK is consistent with the long-term strategy and the two strategic partners, Weichai Power and Bosch, have considerable manufacturing capability. With Weichai Power the Group is planning to establish a Joint Venture in China to manufacture fuel cells and systems to address the huge market potential there. In Bosch we have a very capable partner to jointly collaborate on the development and industrialisation of our 5kW stack and one which could also manufacture our SteelCell® in volume in the future.

Financial

This commercial success has put the Company and Group in a strong financial position. Revenue and other operating income grew 71% to £7 million (2016/17: £4.1 million), which was split £6.3 million revenue from customers and £0.7 million from grants and other income.

We have had a strong start to the 2018/19 year and the order book for future years was £30 million as at 8 October 2018, up from £3.2 million last year. We expect to continue to grow top line revenue as we increase the number of new customers and as existing customers progress through from evaluation to product development and to commercial launch. Subject to any investment to increase manufacturing capacity we expect this will translate to a continued improvement in our financial results.

The successful fundraising achieved by the Group after the year end has contributed £49.3 million to the Group's cash and short-term investments which has given a significant increase to the Company and Group's financial stability.

People

Reflecting the commercial success and the longer-term contracts Ceres Power have won this year, we will continue to invest in high-quality people, particularly those supporting our customer programmes and the new manufacturing facility and the maturing processes required in Operations.

We recognise that the right people are vital to the business and are delighted by the talent Ceres has been able to attract to work for it.

Strategic report (continued)

Outlook

Ceres Power has reached a new phase of its business – having secured six partners, two of which with the capability to scale up manufacturing of the SteelCell®. We are already seeing several of these relationships move towards significant license deals and partnerships leading to field trials with the intent to launch commercial products. We expect the year ahead to be both exciting and demanding as we prioritise work to enable the Company to achieve key business priorities.

The focus remains on getting SteelCell® products to market under licence with leading OEMs and proving out the technology in trials. We are targeting field trials for a multi-kW application with the unnamed commercial partner, the first 30kW system being run on a bus in China with Weichai Power in 2019, and the 10kW power module systems to start evaluation in 2019 with Cummins and the DoE. These initial trials will no doubt provide new challenges as we service OEMs in different markets.

The strategic collaboration with Bosch is a key priority as we begin technology transfer of the SteelCell® technology to enable the Joint Development of the 5kW stack and manufacturing scale up in the UK and also at Bosch.
With these core customers and other programmes, we will target further revenue growth in the 2018/19 year maintaining the strong trend of recent years and expect our strong order book position of £30 million to result in revenue and other income growing at least 70% year on year.

With the Company now in a strong financial position, the Board intends to continue to scale and develop the business to be able to deliver these new opportunities through this key period of growth to commercial launches. The key internal action is the preparation of the new UK manufacturing facility to meet near term customer demand and also to act as a reference plant for manufacturing partners.

This has been both a demanding and very rewarding year for Ceres Power and the Board would like to thank everyone at the company for their hard work and dedication this year in delivering some key milestones and partnerships across the globe. This takes the Company forward to the next phase in growing what could become one of the UKs leading technology companies.

Risk management process

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

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

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

Risk	Description	Mitigation	Change
Technology	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. The risk that technology is successfully developed but slower than anticipated. The risk that technical failure at customer trials could affect customer sentiment.	Ceres Power's prime focus is to deliver its technology for customers, as well as to continually improve the technology to maintain technological advantage. Targeting new markets that require different technical attributes also mitigates the risk. We aim to ship the best product available and continually update customers of progress.	Increasing
Competitive and market	The risk is the value proposition of our technology is eroded and this impacts the Company's future profitability and growth opportunities. The risk is reducing as more customers validate the technology, new markets such as EV recharging and data centres emerge, as well as changing regulations and trends against fossil fuels.	Our strategy addresses different geographical markets and we have broadened the applications available, mitigating failure in a single market or product. We monitor competitor activity and market developments continuously.	Decreasing
Intellectual Property protection	The Company's competitive advantage is at risk from successful challenges to its patents, unauthorised parties using the Company's technology in their own products, or others designing around existing Intellectual Property Rights (IPR). This risk has risen as the technology gets closer to commercialisation and as we increasingly share more of our technology with partners and supply chain.	There are internal procedures and controls in place to capture and exploit all Intellectual Property ("IP") as well as to protect, limit and control disclosure to third parties and partners. Contractual provisions with partners and IP insurance provides additional protection to the Group for agreement, pursuit and defence of IP.	Increasing
Freedom to Operate	There is a risk that the Company will infringe valid intellectual property rights of others, which will prevent full commercialisation of the technology.	We continually perform freedom to operate searches to minimise this risk	New
Commercial	There is a risk that our partners do not use our technology in their products or go to market slower than anticipated. This risk has reduced with the major contracts won this year	We continue to increase our pipeline of customers and have expanded market applications, mitigating the risk of individual customers who may not wish to move forward.	Decreasing

Risk	Description	Mitigation	Change
Operational	There is a risk that the Company is unable to satisfy customer contracts due to supply chain, growth management, short-term manufacturing or technical issues. This risk has risen in line with increasing customer demand. This is offset by our plans for additional manufacturing capacity.	We are improving our manufacturing processes and hold spares, where possible. We work with suppliers to ensure quality and timely delivery. We have secured a new local manufacturing site to provide capacity and separate development from production activities.	Increasing
Supplier dependence	There is a risk that our supply chain partners may be unable or unwilling to co-develop or supply key components. This risk has increased as we scale up manufacturing.	We continue to work closely with our suppliers and partners aiming to put in place strategic partnerships, where appropriate and reduce the number of key single source suppliers. We also buy stocks in advance.	Increasing
Access to capital	There is a risk that the Group will be unable to attract further equity funding. This risk has reduced as a result of the equity fundraise by Ceres Power Holdings plc post year end.	Increasingly the Group is targeting it future funding from customer revenue as well as grant funding, tax credits.	Decreasing

Richard Preston
Director
14 December 2018

Directors' report

The Directors present their Directors' Report and the audited financial statements of the Company for the year ended 30 June 2018.

Research and development

During the year, the Company incurred expenditure of £10,903,711 (2017: £10,119,268) on research and development, all of which was written off to the profit and loss account and other comprehensive income with the exception of £46,718 of development costs relating to the design development and configuration of the Company's manufacturing site which was capitalised as a development intangible. The Strategic Report illustrates the progress made during the year.

Financial instruments

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

Results and proposed dividend

The Company made a loss for the financial year of £8,379,166 (2017: £8,379,883).

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

Going concern

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of signing this report which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Ceres Power Intermediate Holdings Limited to meet its liabilities as they fall due for that period. The company fulfils a key role within the group as the trading entity which develops the technology for the Group's target market, including the production and sale of fuel cell products to customers.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

See Going Concern accounting policy in Note 1 to the financial statements.

Our approach to risk

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

Financial risk management

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

The Company's exposure to credit risk arises from if a counterparty or customer fails to meet its contractual obligations. Trade receivables at the year end relate to nine customers (2017: four), of which £2,263 relates to the Europe geographic region and £588,722 to North America and £1,152,784 to Asia (2017: £369,378 related to the Europe region and £177,741 to the North American region). The Company's customers are generally large multinational companies and are consequentially not considered to add significantly to the Company's credit risk exposure. All trade receivables are due within the agreed credit terms for the current and preceding years and are consequently stated at cost.

Directors' report (continued)

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

The Company seeks to mitigate its foreign currency exposure by entering into forward currency exchange contracts in accordance with the Group's Treasury Policy.
Forward currency exchange contracts are mainly entered into for significant foreign currency exposures that are not expected to be offset by other currency transactions. The Company's objectives and policies are unchanged in the reporting periods under review.

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 17 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 wider Group and how these are managed at a group level.

Directors

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

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

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

Charitable and political contributions

The Company made no charitable or political donations or incurred any political expenditure during the year (2017: £nil).

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2 to 7.

Auditor

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

By order of the Board:

Richard Preston – Director
Viking House, Foundry Lane
Horsham, RH13 5PX
14 December 2018

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

Opinion

We have audited the financial statements of Ceres Power Limited ("the company") for the year ended 30 June 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Gemma Hancock (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton road, Crawley
RH11 9PT
14 December 2018

Profit and Loss Account and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018	2017
Turnover	2	**6,329,098**	3,119,496
Cost of sales		**(3,096,957)**	(1,334,251)
Gross Profit		**3,232,141**	1,785,245
Other operating income	3	**680,448**	956,825
Operating costs	4	**(14,253,337)**	(13,147,102)
Operating loss		**(10,340,748)**	(10,405,032)
Interest receivable and similar income		**425**	602
Loss before taxation	4	**(10,340,323)**	(10,404,430)
Tax on loss	7	**1,961,157**	2,024,547
Loss for the financial year and total comprehensive loss		**(8,379,166)**	(8,379,883)

The notes on pages 16 to 29 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 2018

	Notes	2018	2017
		£	£
Fixed assets			
Tangible assets	8	**2,197,189**	1,913,424
Other intangible assets	9	**46,718**	-
		2,243,907	1,913,424
Current assets			
Trade and other receivables	10	**6,990,735**	4,634,966
Inventories	11	**1,400,000**	595,789
Cash at bank and in hand		**1,498,154**	1,094,880
		9,888,889	6,325,635
Trade and other payables	12	**(106,216,586)**	(94,886,844)
Net current liabilities		**(96,327,697)**	(88,561,209)
Total assets less current liabilities		**(94,083,790)**	(86,647,785)
Provisions for liabilities	13	**(851,000)**	(828,000)
Net liabilities		**(94,934,790)**	(87,475,785)
Capital and reserves			
Called up share capital	15	**4,176**	4,176
Share premium account		**9,547,273**	9,547,273
Profit and loss account		**(104,486,239)**	(97,027,234)
Total shareholders' deficit		**(94,934,790)**	(87,475,785)

The notes on pages 16 to 29 form an integral part of these Financial Statements.

The financial statements on pages 13 to 29 were approved by the board of Directors on 14 December 2018 and were signed on its behalf by:

Richard Preston
Director

Ceres Power Limited
Registered Number: 04222409

Statement of Changes in Equity for the year ended 30 June 2018

	Notes	Share capital £	Share premium account £	Profit and loss account £	Total £
At 1 July 2016		4,176	9,547,273	(89,645,609)	(80,094,160)
Comprehensive income					
Loss for the financial year and total comprehensive loss		-	-	(8,379,883)	(8,379,883)
Total comprehensive loss		-	-	(8,379,883)	(8,379,883)
Transactions with owners					
Share-based payment charge	4	-	-	998,258	998,258
Total transactions with owners		-	-	998,258	998,258
At 30 June 2017		4,176	9,547,273	(97,027,234)	(87,475,785)
Comprehensive income					
Loss for the financial year and total comprehensive loss		-	-	(8,379,166)	(8,379,166)
Total comprehensive loss		-	-	(8,379,166)	(8,379,166)
Transactions with owners					
Share-based payment charge	4	-	-	920,161	920,161
Total transactions with owners		-	-	920,161	920,161
At 30 June 2018		**4,176**	**9,547,273**	**(104,486,239)**	**(94,934,790)**

The profit and loss reserve includes an amount of £504,000 (2017: £504,000) that is non-distributable. The non-distributable amount is the result of the disposal of intellectual property to a group undertaking.

The notes on pages 16 to 29 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Accounting policies

Basis of preparing the financial statements

Ceres Power Limited (the "Company") is a private company limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 04222409 and the registered address is Viking House, Foundry Lane, Horsham. RH13 5PX. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

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

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

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, intangible assets 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; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies *(continued)*

***Basis of preparing the financial statements** (continued)*

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

Revenue recognition

The material estimates and assumptions regarding revenue recognition are specifically in relation to the timing and value of the revenue being recognised. A revision in cost estimates could have a material impact on revenue in the next period. Revenue is allocated to key components of each contract at the outset and recognised during the contract life when earned. The revenue allocated to key components is reassessed throughout the contract life, as and when required, to take account of factors such as changes to the key components of the contract, the underlying assessment of costs to complete the contract, foreign exchange movements and the timing and length of the contract.

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

Measurement convention

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

Going concern

Notwithstanding net current liabilities of £96,327,697 as at 30 June 2018 and a loss for the year then ended of £8,379,166 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of signing this report which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Ceres Power Intermediate Holdings Limited, to meet its liabilities as they fall due for that period. The company fulfils a key role within the group as the trading entity which develops the technology for the Group's target market, including the production and sale of fuel cell products to customers.

Those forecasts are dependent on Ceres Power Intermediate Holdings Limited and Ceres Power Holdings plc not seeking repayment of the amounts currently due to the group, which at 30 June 2018 amounted to £102,445,272, and providing additional financial support during that period. Ceres Power Holdings plc, in light of the equity fundraisings completed after the year end, has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

Foreign currency

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

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables

Trade and other receivables 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.

Notes to the Financial Statements (continued)

1 Accounting policies *(continued)*

***Non-derivative financial instruments** (continued)*

Trade and other payables

Trade and other payables 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.

Tangible fixed assets

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

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

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

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

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

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

Research and development

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs, if appropriate. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other development expenditure is recognised in the profit and loss account as an expense as incurred.

Research and development costs in the year include all related costs of the ongoing enhancement of the Company's core technology, related systems and manufacturing processes and facilities.

The costs included in the development of the Company's core fuel cell technology and intellectual property are recognised in the profit and loss as an expense as incurred. These 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.

Notes to the Financial Statements (continued)

1 Accounting policies *(continued)*

Intangible assets

The costs included in the design, development and configuration of the Company's manufacturing processes and technology for the new manufacturing site are capitalised as internally-generated intangible assets. These include but are not limited to, the cost of materials, direct labour and a proportion of overheads and related costs.

Subsequent to recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 5 years and the estimated useful lives are reviewed and adjusted is appropriate, at each balance sheet date. Intangible assets which are not yet available for use are tested for impairment at each balance sheet date.

Inventories

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

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

Government grants

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

Impairment

Financial assets (including trade and other receivables)

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

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

Non-financial assets

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies *(continued)*

Non-financial assets (continued)

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.

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

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

Provisions

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

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

Turnover and direct costs

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Turnover is shown net of value added tax and other sales taxes. The turnover primarily consists amounts received or receivable under evaluation, development and licence contracts. Turnover is allocated to key components of the contract and recognised when earned, either on delivery or as calculated on a percentage of completion basis, based on costs incurred to date versus total estimated costs over the period that the work is performed.

Notes to the Financial Statements (continued)

1 Accounting policies *(continued)*

Turnover and direct costs (continued)

The turnover recognition is subject to certainty of receipt of cash, or when any specific conditions in agreements have been met. Where there is a timing difference between the recognition of turnover and invoicing under a contract, an accrued income asset or deferred income liability is recognised.

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

Operating lease payments

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

Interest receivable

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

Taxation

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

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

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

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

Notes to the Financial Statements (continued)

2 Turnover

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

	2018	2017
	£	£
Europe	**610,498**	715,362
Asia	**4,313,406**	1,674,351
North America	**1,405,194**	729,783
	6,329,098	3,119,496

3 Other operating income

	2018	2017
	£	£
Government grants	**680,448**	954,881
Other income	-	1,944
	680,448	956,825

4 Expenses and auditor's remuneration

Included in the ordinary activities before taxation are the following:

	2018	2017
	£	£
Operating costs are split as follows:		
Research and development costs	**10,903,711**	10,119,268
Administrative expenses	**3,349,626**	3,187,697
	14,253,337	13,306,965
Reversal of provision relating to onerous lease and Property dilapidations (note 13)	-	(159,863)
	14,253,337	13,147,102

Notes to the Financial Statements (continued)

4 Expenses and auditor's remuneration *(continued)*

	2018	**2017**
	£	**£**
Loss before taxation is stated after charging/(crediting):		
Depreciation charge on tangible fixed assets (note 8)	**1,170,456**	1,258,985
Net (gain)/loss on financial instruments designated as fair value through profit or loss	**(3,374)**	20,604
Gain on foreign exchange	**(28,831)**	(15,789)
Share-based payment charge	**920,161**	998,258

Auditor remuneration:		
Audit services		
- remuneration receivable by the Company's auditor for the auditing of the financial statements	**41,750**	25,010
Other services		
- other services relating to taxation	**2,800**	9,400
- other services	**11,700**	3,550

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:

	2018	**2017**
	Number	**Number**
By activity:		
Commercial	**6**	4
Research and development	**117**	104
Administration	**20**	15
	143	123

The aggregate payroll costs of these persons were as follows:

	2018	**2017**
	£	**£**
Staff costs (for the above persons):		
Wages and salaries	**6,853,864**	6,172,681
Social security costs	**718,438**	646,494
Share-based payments	**920,161**	998,258
Contributions to defined contribution plans	**474,796**	403,738
	8,967,259	8,221,171

A total of £77,718 was payable in respect of pension contributions by the Company at the year end (2017: £57,210).

Notes to the Financial Statements (continued)

6 Directors' remuneration

	2018	2017
	£	£
Directors' remuneration	**843,890**	794,851
Company contributions to defined contribution plans	**55,996**	47,988
Gain on exercise of share option	-	3,769
	899,886	846,608

Highest paid Director	**2018**	2017
	£	£
Aggregate emoluments	**303,490**	289,500
Company contributions to defined contribution pension schemes	**17,129**	15,960
Gain on exercise of share option	-	3,769
	320,619	309,229

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 £145,912 (2017: £137,752).

Four Directors (2017: four) have retirement benefits accruing under defined contribution pension schemes.

Four Directors (2017: four) held options in the ultimate holding company, Ceres Power Holdings plc, at 30 June 2018. No Director exercised options and subsequently held the shares in the holding company during the year (2017: one).

7 Taxation

Recognised in the profit and loss account

	2018	2017
	£	£
UK corporation tax – R&D tax credit	**1,900,000**	1,804,823
Adjustment in respect of prior years – R&D tax credit	**61,157**	219,724
Tax credit on loss on ordinary activities	**1,961,157**	2,024,547

No corporation tax liability has arisen during the year (2017: £nil) due to the losses incurred. A tax credit has arisen as a result of the tax losses being surrendered in respect of research and development expenditure.

Notes to the Financial Statements (continued)

7 Taxation *(continued)*

Reconciliation of effective tax rate

The tax assessed for the year is different from the standard rate of small profits UK corporation tax of 19% (2017: 19.75%). The differences are explained below:

	2018	**2017**
	£	**£**
Loss before taxation	**(10,340,323)**	(10,404,430)
Loss before taxation at the UK tax rate of 19% (2017: 19.75%)	**(1,964,661)**	(2,054,875)
Effects of:		
Enhanced tax deductions for R&D expenditure	**(1,418,407)**	(1,354,281)
Expenses not deductible for tax purposes	**8,508**	207,654
Accelerated capital allowances and other timing differences	**35,433**	256,607
Losses carried forward	**871,405**	581,237
Other timing differences		
Share Option relief	**(65,132)**	(66,185)
Adjustment in respect of prior years – R&D tax credit	**(61,157)**	(219,724)
Difference between R&D tax credit and small company tax rates	**632,854**	625,020
Total current tax credit	**(1,961,157)**	(2,024,547)

Deferred taxation

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

	Amount recognised 2018	Amount recognised 2017	**Amount unrecognised 2018**	Amount unrecognised 2017
	£	£	**£**	£
Tax effect of timing differences because of:				
Difference between capital allowances and depreciation	–	–	**1,640,732**	2,096,810
Deductions relating to share options	–	–	**871,646**	615,201
Losses carried forward	–	–	**9,285,119**	9,367,743
	-	-	**11,797,497**	12,079,754

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 2017	2,134,152	9,309,087	891,842	70,050	-	12,405,131
Additions	192,336	793,300	120,943	-	347,642	1,454,221
Disposals	-	(2,962)	-	-	-	(2,962)
At 30 June 2018	**2,326,488**	**10,099,425**	**1,012,785**	**70,050**	**347,642**	**13,856,390**
Accumulated depreciation						
At 1 July 2017	1,998,448	7,629,862	793,347	70,050	-	10,491,707
Charge for the year	145,898	965,827	58,731	-	-	1,170,456
Disposals	-	(2,962)	-	-	-	(2,962)
At 30 June 2018	**2,144,346**	**8,592,727**	**852,078**	**70,050**	**-**	**11,659,201**
Net book value						
At 30 June 2018	**182,142**	**1,506,698**	**160,707**	**-**	**347,642**	**2,197,189**
At 30 June 2017	135,704	1,679,225	98,495	-	-	1,913,424

9 Other Intangible assets

	Capitalised development
	£
Cost and Net book value	
At 1 July 2017	-
Additions	46,718
At 30 June 2018	**46,718**

The capitalised development intangible relates to the design, development and configuration of the Company's manufacturing processes and technology for the new manufacturing site and has not been amortised in the year as it is not yet available for use.

Notes to the Financial Statements (continued)

10 Trade and other receivables

	2018	2017
	£	£
Trade receivables	**1,743,769**	547,119
Amounts owed by group undertakings under common control	**484,732**	442,496
Corporation tax receivable	**1,900,000**	1,805,000
Other receivables	**1,255,521**	766,730
Derivative financial assets – forward foreign exchange contracts	**7,895**	27,703
Prepayments	**799,580**	301,741
Accrued income	**799,238**	744,177
	6,990,735	4,634,966

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.

11 Inventories

	2018	2017
	£	£
Raw materials	**774,656**	198,263
Work in progress	**625,344**	397,526
	1,400,000	595,789

12 Trade and other payables

	2018	2017
	£	£
Trade payables	**1,632,890**	668,673
Amount owed to ultimate parent undertaking	**68,528,337**	69,574,698
Amount owed to immediate parent undertaking	**33,916,935**	22,801,394
Taxation and social security payable	**2,913**	-
Other payables	**81,161**	59,494
Derivative financial liability – forward foreign exchange contracts	**4,774**	7,720
Accruals	**1,117,012**	1,029,934
Deferred income	**932,564**	744,931
	106,216,586	94,886,844

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

Notes to the Financial Statements (continued)

13 Provisions

	Property dilapidations	**Total**
	£	**£**
At 1 July 2017	828,000	828,000
Provisions made during the year	23,000	23,000
At 30 June 2018	**851,000**	**851,000**

	Property dilapidations	**Total**
	£	**£**
Current	-	-
Non-Current	851,000	851,000
At 30 June 2018	**851,000**	**851,000**

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

14 Contingent liabilities

Grants received of £705,000 (2017: £705,000), or an element thereof, may require repayment if the Company generates revenue (net of expenses and reasonable overheads) from the intellectual property created from the grant. In such case, the Company may be liable to pay back the grant at a rate of 5% of the net revenue generated in any one year. The Directors of the Company believe it is unlikely that any of the grants received will need to be repaid.

15 Share capital

	2018	**2017**
	£	£
Allotted and fully paid		
4,176,306 (2017: 4,176,306) ordinary shares of £0.001 each	**4,176**	4,176

Notes to the Financial Statements (continued)

16 Operating leases

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

	2018			**2017**
	Land and Buildings	**Other**	Land and Buildings	Other
Less than one year	**429,429**	**29,053**	334,889	30,990
Between one and five years	**1,732,128**	**9,491**	1,728,525	32,216
More than five years	**456,760**	**-**	889,792	-
	2,618,317	**38,544**	2,953,206	63,206

At the year end the property has a minimum lease term of 6.1 years (2017: 7.1 years). The rentals are fixed for the lease terms subject to periodic rent reviews. The office equipment leases have an average term of 1.1 years (2017: 2.1 years).

During the year £365,993 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £340,964).

17 Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £1,307,042 as at 30 June 2018 (2017: £190,149).

18 Related party transactions

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

19 Ultimate parent company and parent company of larger group

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

The largest and smallest group in which the results of the company are consolidated is that headed by Ceres Power Holdings Plc whose registered office address is stated below.

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