

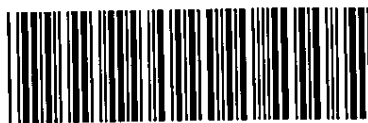
Company Registration No. 05846567

Metalysis Titanium Limited

Report and Financial Statements

31 March 2012

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Metalysis Titanium Limited

Report and financial statements 2012

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Metalysis Titanium Limited

Report and financial statements 2012

Officers and professional advisers

Directors

G Dhariwal
SJ Holloway

Company Secretary

M & R Secretarial Services Limited

Registered Office

Unit 2, Farfield Park
Manvers Way
Wath upon Dearne
Rotherham
S63 5DB

Bankers

Bank of Scotland Plc
7 Leopold Street
Sheffield
S1 2FF

Solicitors

Mills & Reeve
Francis House
112 Hills Road
Cambridge
CB2 1PH

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds

Metalysis Titanium Limited

Directors' report

The directors present their annual report and the financial statements for the year ended 31 March 2012. This director's report has been prepared in accordance with the provisions applicable to the companies entitled to the small companies exemption.

Principal activities

The Company holds a worldwide, exclusive licence to exploit volume titanium products using the FFC Cambridge and Polar processes. The Company has contracted with its holding Company, Metalysis Limited, for the development and scale-up of both technologies in order to issue licences to third parties and charge royalties thereon.

Results and dividends

The results for the year are set out in detail on page 8. The directors do not recommend payment of any dividends.

Directors

The directors, who served the company throughout the year, and subsequently, unless otherwise disclosed, are shown below.

S Cory (resigned 10 November 2011)
G Dhariwal
SJ Holloway

Going concern

The company has to date been funded by its shareholders. The company is in receipt of a letter of support from its parent undertaking Metalysis Limited. The parent company's current business plan for the group indicates that existing funding will be sufficient until January 2013 before additional funding will be required. Early stage negotiations have taken place with potential investors for the future funding that will enable the parent company's operations to be sustained in the foreseeable future and will take the company through to full commercialisation of its technology. At the date of signing the accounts the parent company has not entered into any binding commitments in respect of additional funding required. This represents a material uncertainty which may cast significant doubt about the parent company's ability to continue as a going concern and, therefore, it may not be able to provide the support necessary for Metalysis Titanium Limited. In that event the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts. If the adoption of the going concern basis was inappropriate, adjustments, which it is not practicable to quantify, would be required, including those to write down assets to their recoverable value, to reclassify fixed assets as current assets and to provide for further liabilities that may arise.

Metalysis Titanium Limited

Directors' report

Principal risks

The Company is dependent on its parent Company for the delivery of R&D activities required to scale up its technology successfully and getting product to market. Metalysis' Titanium's principle risks cover a wide spectrum of disciplines including

- **Technology risk** There is a risk that alternative technology processes may come to market ahead of the FFC Cambridge process which may have an impact on the Company's ability to gain traction in its target market place
- **Scale-up risk** The Company is currently building the BiPolar semi-continuous production cell. The delivery of this proof of concept production module may be delayed or that it will take longer than anticipated to commission the BiPolar cell to its full production potential
- **Growth risk** The Company subsequently intends to develop its production facility. This will involve raising additional finance and/or finding a suitable partner either of which may not be available at that time

Social and environmental issues

The modified Kroll process (which is used to win many refractory metals from their oxide) and the Pebble process (for winning beryllium) both use hazardous reagents such as concentrated hydrofluoric or sulphuric acid, molten sodium or magnesium and produce a variety of harmful and environmentally damaging by-products. Metalysis Titanium is seeking to replace these processes and some alloying processes with the FFC Cambridge technology specifically in the areas of Titanium manufacturing.

Metalysis Titanium believes that, not only does its technology have a significantly lower environmental footprint than conventional processes, but also that the technology will negate the need for a number of downstream purification steps that are currently required.

The technology operates at lower temperatures and hence uses less energy. Furthermore, it only has salt as a reagent (a non-toxic material that is otherwise used on road surfaces during winter) and only emits low quantities of carbon dioxide and carbon monoxide as a by-product. Should an inert anode be utilised, and Metalysis Limited (the parent company) has had some success in this area of development, the FFC Cambridge process would generate oxygen as its only by-product.

The Company is committed to upholding the highest standards of health and safety and environmental protection for the benefit of its employees, the public at large and the environment. The Company has written and maintains a Safety, Health and Environment policy and has established a procedure for identifying and reviewing the associated risks and their impact on the value of the business.

Metalysis Titanium Limited

Directors' report

Auditor

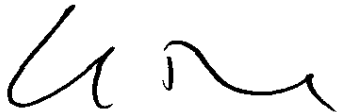
Deloitte LLP have expressed their willingness to act as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting

The directors, at the date of approval of this report, confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

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



G Dharwal

Director

19TH DEC 2012

Metalysis Titanium Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Metalysis Titanium Limited

We have audited the financial statements of Metalysis Titanium Limited for the year ended 31 March 2012, which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the requirements of the Financial Reporting Standard for Smaller Entities (effective April 2008).

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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 March 2012 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

The company is in receipt of a letter of support from its parent undertaking Metalysis Limited. The parent company's current business plan for the group indicates that existing funding will be sufficient until January 2013 before additional funding will be required. Early stage negotiations have taken place with potential investors for the future funding that will enable the parent company's operations to be sustained in the foreseeable future and will take the company through to full commercialisation of its technology. At the date of signing the accounts the parent company has not entered into any binding commitments in respect of additional funding required. This represents a material uncertainty which may cast significant doubt about the parent company's ability to continue as a going concern and, therefore, it may not be able to provide the support necessary for Metalysis Titanium Limited. In that event the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Independent auditor's report to the members of Metalysis Titanium Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report



Simon Manning (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
20 December 2012

Metalysis Titanium Limited

Profit and loss account Year ended 31 March 2012

	Notes	2012 £	2011 £
Turnover		-	-
Research and development costs		-	-
Other administrative expenses		(30)	(30)
Operating loss	2	(30)	(30)
Interest receivable and similar income		-	-
Loss on ordinary activities before taxation		(30)	(30)
Tax credit on loss on ordinary activities		-	-
Loss on ordinary activities after taxation	10	(30)	(30)

All results are derived from continuing operations

There are no recognised gains and losses other than as stated above for the current and preceding financial years
Accordingly no statement of total recognised gains and losses has been presented

The accompanying notes are an integral part of this profit and loss account

Metalysis Titanium Limited

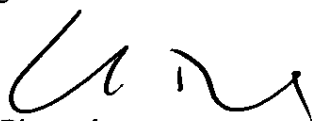
Balance sheet 31 March 2012

	Notes	2012 £	2011 £
Current assets			
Debtors	5	2	2
Cash at bank and in hand		16,746	16,776
		<u>16,748</u>	<u>16,778</u>
Creditors: amounts falling due within one year	6	(511,017)	(511,017)
Net current liabilities		<u>(494,269)</u>	<u>(494,239)</u>
Creditors: amounts falling due after more than one year	7	(750,000)	(1,500,000)
Net liabilities		<u>(1,244,269)</u>	<u>(1,994,239)</u>
Capital and reserves			
Called up share capital	9	1,000	1,000
Capital contribution reserve	10	750,000	-
Profit and loss account	10	(1,995,269)	(1,995,239)
Deficit on equity shareholders' funds		<u>(1,244,269)</u>	<u>(1,994,239)</u>

These financial statements of Metalysis Titanium Limited, registered number 05846567 have been prepared in accordance with the specific provisions relating to small companies under the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the Board of Directors on 19th Dec 2012

Signed on behalf of the Board of Directors


G Dhariwal
Director

The accompanying notes are an integral part of this balance sheet

Metalysis Titanium Limited

Notes to the financial statements Year ended 31 March 2012

1. Accounting policies

The principal accounting policies adopted are summarised below. They have been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities ("FRSSE") (effective April 2008).

Research and development costs

Research and development costs are charged against operating results in the year in which they are incurred.

Basis of preparation – going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report.

The company has to date been funded by its shareholders. The company is in receipt of a letter of support from its parent undertaking Metalysis Limited. The parent company's current business plan for the group indicates that existing funding will be sufficient until January 2013 before additional funding will be required. Early stage negotiations have taken place with potential investors for the future funding that will enable the parent company's operations to be sustained in the foreseeable future and will take the company through to full commercialisation of its technology. At the date of signing the accounts the parent company has not entered into any binding commitments in respect of additional funding required. This represents a material uncertainty which may cast significant doubt about the parent company's ability to continue as a going concern and, therefore, it may not be able to provide the support necessary for Metalysis Titanium Limited. In that event the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts. If the adoption of the going concern basis was inappropriate, adjustments, which it is not practicable to quantify, would be required, including those to write down assets to their recoverable value, to reclassify fixed assets as current assets and to provide for further liabilities that may arise.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax, in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Metalysis Titanium Limited

Notes to the financial statements Year ended 31 March 2012

1. Accounting policies (continued)

Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is measured on a non-discounted basis

Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account

2. Operating loss

Operating loss is stated after charging

	2012 £	2011 £
Auditor's remuneration - audit fees	-	-

Audit fees were borne by the ultimate holding company, Metalysis Limited

3. Information regarding directors

	2012 £	2011 £
Aggregate emoluments paid to directors including pension contributions	-	-

4. Tax on loss on ordinary activities

	2012 £	2011 £
Tax credit on loss on ordinary activities	-	-

No deferred tax asset has been recognised in these financial statements for revenue losses as the directors believe there is insufficient certainty concerning the company's future profitability to recognise an asset. The asset unprovided amounts to £725,000 (2011: £725,000)

5. Debtors

	2012 £	2011 £
Amount owed by parent undertaking	2	2

Metalysis Titanium Limited

Notes to the financial statements Year ended 31 March 2012

6. Creditors: amounts falling due within one year

	2012 £	2011 £
Owed to parent undertaking	506,017	506,017
Accruals and deferred income	5,000	5,000
	<u>511,017</u>	<u>511,017</u>

7. Creditors: amounts falling due after more than one year

	2012 £	2011 £
Loan from shareholders	<u>750,000</u>	<u>1,500,000</u>

8. Related party transactions

During the year the company subcontracted R&D research work to Metalysis Ltd and was invoiced with a value of £Nil (2011 £Nil)

9. Share capital

	2012 £	2011 £
Authorised		
1,000 ordinary shares of £1 00 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1,000 ordinary shares of £1 00 each	<u>1,000</u>	<u>1,000</u>

10. Reconciliation of movements in equity shareholders' deficit

	Issued share capital £	Capital contribution reserve £	Profit and loss £	Total £
At 1 April 2011	1,000	-	(1,995,239)	(1,994,239)
Loss for the year	-	-	(30)	(30)
Capital contribution	-	750,000	-	750,000
Balance at 31 March 2012	<u>1,000</u>	<u>750,000</u>	<u>(1,995,269)</u>	<u>(1,244,269)</u>

11. Ultimate holding company

The ultimate holding company of the Company is Metalysis Limited, a company incorporated in England, registration number 04304849, whose principal place of business is at Unit 2, Farfield Park, Manvers Way, Wath upon Dearne, Rotherham, S63 5DB