

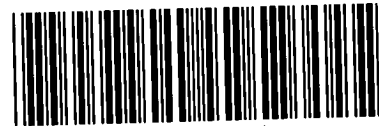
Company Registration No. 05846567

Metalysis Titanium Limited

Report and Financial Statements

For the year ended 31 March 2018

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Metalysis Titanium Limited

Report and financial statements 2018

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Metalysis Titanium Limited

Report and financial statements 2018

Officers and professional advisers

Directors

Dion Vaughan
Tony Ratcliffe

Company Secretary

M & R Secretarial Services Limited

Registered Office

Unit 4, R-Evaluation@theAMP
Brindley Way
Catchcliffe
Rotherham
S60 5FS

Bankers

HSBC plc
Commercial Centre
Europa Court
Sheffield
S9 1XE

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 2018. This directors' report has been prepared in accordance with the provisions applicable to the companies entitled to the small companies exemption. The Directors have taken advantage of the exemption for small companies not to prepare a strategic report.

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 commercialise the technology.

Results and dividends

The results for the year are set out in detail on page 7. The Directors do not recommend payment of any dividends (2017: £nil).

Directors

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

Dion Vaughan
Tony Ratcliffe

Going concern

The company has to date been funded by its sole shareholder, being its parent Metalysis Limited.

The Board recognises that it is critical for the Group to ensure there is sufficient working capital headroom to operate, to have the flexibility to potentially capitalise on attractive business opportunities and to ensure Metalysis remains a well-financed counterparty for commercial partners.

The Company incurred a net loss of £0.2m during the year ended 31 March 2018 and, whilst the cash forecasts show the increase in cash inflows from accelerated commercialisation, the timing and quantum of these anticipated receipts are uncertain. The Group is also pursuing additional equity financing. The Company relies on financial support from Metalysis Limited, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group's forecasts, taking into account reasonable possible increases in commercial traction and trading performance and the current economic uncertainty, but assuming the successful receipt of the required levels of funding, show that the Group will be able to operate within its level of current and anticipated financing for a period of at least twelve months from the date of approval of these financial statements. Whilst there inevitably remains material uncertainty until the financing round is completed, the Directors have a reasonable expectation and confidence that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in the Financial Statements.

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. The Company's principal risks cover three key disciplines:

- **Technology risk.** There is a risk that alternative technology processes may come to market ahead of the Company's process which may have an impact on the Company's ability to gain traction in its target market place.
- **Scale-up and growth risk.** The Company recognises that increasing its production capacity and rolling out a commercial and licensing strategy carries risk in both timing and cost.

Metalysis Titanium Limited

- **Market and growth risk.** As a new entrant to the market, the Group may encounter delays in establishing sufficient commercial relationships and resistance from competitors, including pricing pressures.

Metalysis Titanium Limited

Social and environmental issues

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.

Auditor

Deloitte LLP will be proposed for reappointment in accordance with section 483 of the Companies Act 2006. The directors, at the date of approval of this report, confirm that:

- so far as he 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



Dion Vaughan

Director

18th December 2018

Metalysis Titanium Limited

Director's 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 judgments and accounting estimates that are reasonable and prudent; 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.

Metalysis Titanium Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Metalysis Titanium Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the group requires further investment within the next 12 months in order to continue as a going concern. The timing and outcome of the process to secure additional investment is uncertain. As stated in note 1, the company relies on funding from the group. These events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

Metalysis Titanium Limited

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

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Matters on which we are required to report by exception

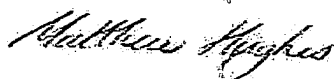
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 or from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

Use of our report

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



Matthew Hughes Bsc (Hons) ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds United Kingdom

18th December 2018

Metalysis Titanium Limited

Profit and loss account For the year ended 31 March 2018

	Notes	2018 £	2017 £
Turnover		-	-
Research and development costs		(230,676)	(384,228)
Other administrative expenses		(35)	(25)
Operating loss	2	(230,711)	(384,253)
Interest receivable and similar income		-	-
Loss on ordinary activities before taxation		(230,711)	(384,253)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	9	(230,711)	(384,253)

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 comprehensive income has been presented.

The accompanying notes are an integral part of these financial statements.

Metalysis Titanium Limited

Balance sheet 31 March 2018

	Notes	2018 £	2017 £
Current assets			
Debtors	5	2	7
Cash at bank and in hand		16,499	16,529
		<u>16,501</u>	<u>16,536</u>
Creditors: amounts falling due within one year	6	(2,660,982)	(2,430,306)
Total assets less current liabilities and net current liabilities		<u>(2,644,481)</u>	<u>(2,413,770)</u>
Net liabilities		<u>(2,644,481)</u>	<u>(2,413,770)</u>
Capital and reserves			
Called up share capital	8	1,000	1,000
Capital contribution reserve	9	750,000	750,000
Profit and loss account	9	(3,395,481)	(3,164,770)
Shareholders' deficit		<u>(2,644,481)</u>	<u>(2,413,770)</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 section 1A of FRS102.

These financial statements were approved by the Board of Directors on 18th December 2018.

Signed on behalf of the Board of Directors



Dion Vaughan

Director

The accompanying notes are an integral part of this balance sheet.

Metalysis Titanium Limited

Notes to the financial statements Year ended 31 March 2018

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 FRS102 section 1A.

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 Director's Report.

The company has to date been funded by its sole shareholder, being its parent Metalysis Limited2318.

Metalysis Limited incurred a net loss of £7.2m during the year ended 31 March 2018 and the cash forecasts show the need to raise additional funding in the next 12 months, the timing of outcome of which is uncertain. The Company relies on support from Metalysis Limited. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The group has recently commenced a fresh financing process primarily to secure funding to further accelerate growth and to underwrite the preparation of feasibility studies for the proposed first Gen5 plant. This process is expected to take some months to complete and the Board is confident of securing appropriate levels of funding over this period. The group's forecasts, taking into account reasonable possible changes in trading performance and the current economic uncertainty, but assuming the successful receipt of the required levels of funding, show that the Group will be able to operate within its level of current and anticipated financing for a period of at least twelve months from the date of approval of these financial statements. Whilst there inevitably remains some uncertainty until the financing round is completed, the Directors have a reasonable expectation and confidence that the group has adequate resources to continue in operational existence for the foreseeable future and therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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.

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.

Metalysis Titanium Limited

Notes to the financial statements Year ended 31 March 2018

1. Accounting policies (continued)

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:

	2018 £	2017 £
Auditor's remuneration - audit fees	-	-

Audit fees of £1,000 (2017: £1,000) were borne by the ultimate holding company, Metalysis Limited.

3. Information regarding Directors

Directors are remunerated by the parent company and are not able to apportion the emoluments attributable to services provided to the company. Accordingly the financial statements include no emoluments in respect of any directors (2017: £nil).

4. Tax on loss on ordinary activities

	2018 £	2017 £
Tax on loss on ordinary activities	-	-
The charge for the year can be reconciled to the profit per the income statement as follows:		
Profit for the period – continuing operations	(230,711)	(384,253)
Tax of profit at standard UK rate of 19% (2017 20%)	(43,835)	(76,851)
Effects of:		
Amounts not recognized	43,835	76,851
Tax charge for the period	-	-

Finance Act No2 2015, which was sustainably enacted on 26 October 2015, included provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. Following this a further reduction was enacted by Finance Act 2016 whereby the main rate of corporation tax is now being reduced to 17% from 1 April 2010. Accordingly, these new rates have been applied in calculating the deferred tax assets as at 31 March 2017.

However, no deferred tax asset has been recognised in these financial statements for trading losses as the directors believes there is insufficient certainty concerning the Company's future profit to recognise an asset. The unprovided asset in respect of these trading losses amounts to £922,071 (2017: £785,790). There is no expiry date on these losses.

Metalysis Titanium Limited

Notes to the financial statements Year ended 31 March 2018

5. Debtors

	2018 £	2017 £
Amount owed by parent undertaking	2	2
Other Recievables	-	5
	<u>2</u>	<u>7</u>

6. Creditors: amounts falling due within one year

	2018 £	2017 £
Owed to parent undertaking	1,905,982	1,675,306
Loan from parent undertaking	750,000	750,000
Accruals and deferred income	5,000	5,000
	<u>2,660,982</u>	<u>2,430,306</u>

The loan due to the parent undertaking is repayable on demand.

7. Related party transactions

The company has taken advantage of the exemption in section 33 of FRS102 "Related party disclosures" not to disclose transactions with other wholly owned members of the group.

8. Share capital

	2018 £	2017 £
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>

Metalysis Titanium Limited

Notes to the financial statements Year ended 31 March 2018

9. Reconciliation of movements in shareholders' deficit

	Issued share capital £	Capital contribution reserve £	Profit and loss £	Total £
At 31 March 2017	1,000	750,000	(3,164,770)	(2,413,770)
Loss for the year	-	-	(230,711)	(230,711)
Balance at 31 March 2018	<u>1,000</u>	<u>750,000</u>	<u>(3,395,481)</u>	<u>(2,644,481)</u>

10. Ultimate holding company and controlling party

The immediate and ultimate holding company of the Company is Metalysis Limited, a company incorporated in England, registration number 04304849. Group financial statements are prepared for Metalysis Limited, copies of which are available from its principal place of business at Unit 4, R-Evolution@theAMP, Brindley Way, Catcliffe, Rotherham, S60 5FS. Due to the disposition of shares the Directors do not consider there to be a single controlling party of Metalysis Limited.

During the year the company consolidated £230,706 worth of R&D activities from Metalysis Ltd to Metalysis Titanium Ltd.