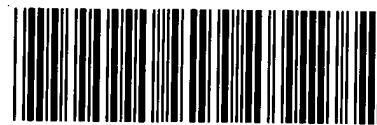


**FIRST LIGHT FUSION LIMITED  
DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

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**First Light Fusion Limited**  
**Directors' Report and Financial Statements**  
**For The Year Ended 31 March 2020**

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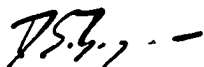
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**First Light Fusion Limited**  
**Statement of Financial Position**  
**As at 31 March 2020**

		2020		2019	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible Assets	5		870,965		1,514,520
			<u>870,965</u>		<u>1,514,520</u>
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due after more than one year	6	321,268		295,508	
Debtors: amounts falling due within one year	6	1,601,079		2,420,515	
Cash in bank and in hand		1,427,574		4,939,872	
		<u>3,349,921</u>		<u>7,655,895</u>	
Creditors: Amounts Falling Due Within One Year	7	(559,543)		(510,709)	
		<u></u>	<u>2,790,378</u>	<u></u>	<u>7,145,186</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>			<u>2,790,378</u>		<u>7,145,186</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>3,661,343</u>		<u>8,659,706</u>
Creditors: Amounts Falling Due After More Than One Year	8		(100,000)		(100,000)
			<u></u>		<u></u>
<b>NET ASSETS</b>			<u>3,561,343</u>		<u>8,559,706</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital			687		686
Share premium account			25,493,327		25,483,887
Other reserves			3,187,682		2,590,906
Income Statement			(25,120,353)		(19,515,773)
			<u>3,561,343</u>		<u>8,559,706</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>3,561,343</u>		<u>8,559,706</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A – small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27<sup>th</sup> July 2020 by



D S Bryon (Director)

The notes on pages 2 – 8 form part of these financial statements

**First Light Fusion Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

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## **1. General Information**

First Light Fusion Limited is a private company, limited by shares, incorporated in England & Wales, registered number 07555858. The registered office is Unit 10 Oxford Industrial Park, Mead Road, Yarnton, Oxfordshire, OX5 1QU.

## **2. Accounting Policies**

### **2.1. Basis of Preparation of Financial Statements**

The financial statements of the Company have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

### **2.2. Going Concern**

First Light Fusion is researching a novel method of generating energy from thermal fusion. Energy gain from a controlled thermal fusion reaction is one of the most complex challenges facing science and engineering, and so pursuing this goal is a risky endeavour. However, it is the company's belief that this is a tractable problem that may be solved with its novel approach and system wide view of the problem. The company has reason to believe that if it can successfully demonstrate energy gain, coupled with a pathway to overcoming the engineering challenges for turning this into a competitive electrical energy generating system, then it can successfully commercialise the technology and return a substantial profit to its shareholders.

The company closed investment of £15.8 million in June 2020, mainly from existing investors. The company has prepared a cashflow forecast based on the expected research activity and under the current spending plans, which include tools and projects supported by the company's independent scientific advisory board, the £15.8 million is expected to last until at least the end of December 2021. As such, the directors believe the adoption of the going concern basis of preparation is appropriate.

After December 2021 additional cash shall likely be required, and this is expected to come from new equity investment. Fund raising plans are in place but are constantly under review especially given the economic uncertainty that has followed from the recent pandemic. The company believes this leaves sufficient time to raise further cash.

### **COVID 19**

The company's operations have been affected by Covid-19, but due to planning agility and flexibility, the impact of this has been low. Following the containment measures that came into effect on 23 March 2020 in the UK, we successfully utilized the government Furlough scheme for a small number of employees. The company prepared for the pandemic with a graduated action plan that foresaw the possibility of lockdown. It was therefore able to act in good time when the lockdown came at the end of the financial year, allowing a shift of work emphasis from physical experimentation and prototyping, to simulation and design. Additional controls have now been put in place to allow safe working on the science and engineering, leveraging the health and safety expertise and culture that underpins the company's work. Supplier risk is still evident but shall be mitigated where possible or accepted where not.

### **2.3. Tangible Fixed Assets and Depreciation**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributed to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold	Straight line over 4 years
Plant & Machinery	Straight line over 4 years
Fixtures & Fittings	Straight line over 4 years
Computer Equipment	Straight line over 4 years

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 31 March 2020**

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## **2.4. Operating Leases**

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

## **2.5. Financial Instruments**

The Company has elected to apply the provisions of Section 11 'Basic Finance Instruments' and Section 12 'Other Financial Instrument Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the Company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

### **Basic financial assets**

Basic financial assets which include debtor and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financial transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

### **Classification of financial liabilities**

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

### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised as transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

## **2.6. Foreign Currency Translation**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the statement of comprehensive income for the period.

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 31 March 2020**

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## **2.7. Taxation**

Due to continuing losses, there is no charge to corporation tax. The Company recognises R&D Tax Credits on an accruals basis when an accurate precision can be made.

### **Deferred Tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## **2.8. Pensions**

Payments to defined contribution retirement benefit schemes are charged as the service is provided.

## **2.9. Government Grant**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

## **2.10. Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Exemption has been taken on recognising share-based payment transactions that have arisen prior to the first reporting period under FRS 102 as available to small companies.

## **2.11. Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

## **2.12. Research and development**

Research expenditure is written off against profits in the year in which it is incurred, identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated,

## **2.13. Cash and cash equivalents**

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

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 31 March 2020**

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**2.14. Interest Income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

**2.15. Equity instruments**

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

**2.16. Registrar Filing Requirements**

The company has taken advantage of Companies Act 2006 section 444(1) and opted not to file the income statement, directors report, and notes to the financial statements relating to the income statement. The notes which are not included have been hidden but original note numbering has remained the same for those that are present.

**3. Operating Loss**

The operating loss is stated after charging:

	2020	2019
	£	£
Audit fees	35,000	23,000
Depreciation of tangible fixed assets	<u>718,167</u>	<u>652,725</u>

**4. Average Number of Employees**

Average number of employees, including directors, during the year was 42 (2019 – 42).

The directors have taken the exemption under section 1A of FRS 102 to not disclose director's remuneration as it was concluded under normal market conditions.

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 31 March 2020**

**5. Tangible Assets**

	<b>Land &amp; Property</b>	<b>Plant &amp; Machinery</b>	<b>Fixtures &amp; Fittings</b>	<b>Computers</b>	<b>Total</b>
	<b>Leasehold</b>				
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 April 2019	473,755	1,874,099	56,885	572,535	2,977,274
Additions	700	57,069	1,806	15,037	74,612
As at 31 March 2020	474,455	1,931,168	58,691	587,572	3,051,886
<b>Depreciation</b>					
As at 1 April 2019	260,827	945,855	28,806	220,266	1,462,754
Provided during the period	113,207	448,134	14,067	142,759	718,167
As at 31 March 2020	381,034	1,393,989	42,873	363,025	2,180,921
<b>Net Book Value</b>					
As at 31 March 2020	93,421	537,179	15,818	224,547	870,965
As at 1 April 2019	205,928	928,244	28,079	352,269	1,514,520



**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 31 March 2020**

**6. Debtors**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Due within one year</b>		
Prepayments and accrued income	355,828	336,159
Other debtors	74,017	32,131
Corporation tax recoverable assets	1,171,234	2,052,225
	<b>1,601,079</b>	<b>2,420,515</b>
<b>Due after more than one year</b>		
Other debtors: amount falling due after more than one year	212,516	222,516
Prepayments: amount falling due after more than one year	108,752	72,992
	<b>321,268</b>	<b>295,508</b>

**7. Creditors: Amounts Falling Due Within One Year**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Trade creditors	213,960	116,714
Other taxes and social security	107,350	114,312
Other creditors	7,249	4,426
Accruals and deferred income	230,984	275,257
	<b>559,543</b>	<b>510,709</b>

**8. Creditors: Amounts Falling Due After More Than One Year**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	100,000	100,000
	<b>100,000</b>	<b>100,000</b>

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 31 March 2020**

**9. Share Capital**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Allotted, called up and fully paid	657	657
656,806 (2019 – 656,806) Ordinary shares of £0.001 each	30	29
29,529 (2019 – 28,529) Ordinary A shares of £0.001 each	<u>687</u>	<u>686</u>

During the year the Company has allotted and issued 1,000 A ordinary shares of £0.001 for a total nominal value of £1.00 and consideration received of £9,440.00.

**10. Commitments under operating leases**

At 31 March 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

<b>2020</b>	<b>2019</b>
<b>£</b>	<b>£</b>
<u>325,050</u>	<u>98,150</u>

**11. Related party transactions**

The directors consider all transactions with related parties to have been concluded under normal market conditions.

**12. Audit Information**

The auditors' report on the account of First Light Fusion Limited for the year ended 31 March 2020 was unqualified. The auditors' report was signed on 27<sup>th</sup> July 2020 by David Hales (Senior statutory auditor) on behalf of Ernst & Young LLP.