

**Bladon Jets (UK) Limited**

**Annual Report and Financial  
Statements**

**Registered number 4479217**

**Year end 31 December 2018**

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# Bladon Jets (UK) Limited

## Company Information

Directors:	Mr P D Barrett Mr P M Lelliott Mr A C J Le Van (Resigned 13 July 2018) Mr A McCarthy-Wyper (Resigned 19 November 2018) Mr D G Roberts (Appointed 1 January 2019)
Secretary	Mr A C J Le Van (Resigned 13 July 2018) Mr P D Barrett (Appointed 13 July 2018)
Company number	4479217
Registered office	The Proving Factory Gielgud Way Coventry United Kingdom CV2 2SA
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN
Bankers	Barclays Bank plc Victoria Street Douglas Isle of Man IM1 2LE

# Bladon Jets (UK) Limited

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# Bladon Jets (UK) Limited

## Directors' report

The directors present their report and financial statements for the year 31 December 2018.

### Principal Activities and Review of the Business

The principal activity of the company is the development and commercialisation of micro gas turbines and their component technologies and applications.

### Research & Development

Bladon is a pioneer in the design, development and manufacturer of Micro Turbine Gensets. Bladon is the world's first manufacturer of micro turbine gensets for the telecom market. The company has developed revolutionary patented micro turbines, heat exchanger and air bearing technologies to deliver cost effective reliable power.

The company will launch production volumes in 2019 on the back of a substantial customer order.

### Funding & Going Concern

Post year end, the Company has raised £20million through a convertible loan note with an existing shareholder.

Based on the new investment, the assessment of the Directors is that the Company has sufficient funds to enable it to continue developing and preparing the product for manufacture and to operate as a going concern, as set out in Note 2.3 to the financial statements.

### Results and dividends

The results for the year are set out on page 5.

The loss for the year drawn from reserves was £9,998,906 (2017: £4,150,534). No dividend was paid in the current year or prior period.

### Directors

The following directors have held office since 1 July 2017 and to date:

Mr P D Barrett  
Mr P M Lelliott  
Mr A C J Le Van (Resigned 13 July 2018)  
Mr A McCarthy-Wyper (Resigned 19 November 2018)  
Mr D G Roberts (Appointed 1 January 2019)

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

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information to establish that the company's auditor is aware of that information.

### Auditors

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

On behalf of the board

Mr P D Barrett  
Director



23 July 2019

Date  
The Proving Factory  
Gielgud Way  
Coventry, CV2 2SA

# Bladon Jets (UK) Limited

## **Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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.

# Bladon Jets (UK) Limited

## Independent Auditor's Report to the members of Bladon Jets (UK) Limited

### Opinion

We have audited the financial statements of Bladon Jets (UK) Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

# Bladon Jets (UK) Limited

## Independent Auditor's Report to the members of Bladon Jets (UK) Limited (continued)

### 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.

### Directors' responsibilities

As explained more fully in their statement set out on page 2, 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](http://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.



**Mark Russell Kelly**  
**Senior Statutory Auditor**  
**For and on behalf of KPMG Audit LLC, Statutory Auditor**  
*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

6 August 2019

# Bladon Jets (UK) Limited

## Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2018

	<i>Note</i>	<b>31 December 2018 £</b>	<b>6 Month period 31 December 2017 £</b>
Revenue		405,791	266,689
Cost of Sales		(1,153,587)	-
Gross (loss)/profit		(747,796)	266,689
Other operating income	4	601,120	374,478
Administrative expenses	5	(12,228,505)	(4,774,401)
<b>Operating loss</b>		<b>(12,375,181)</b>	<b>(4,133,234)</b>
Finance expenses	6	(17,584)	(17,300)
<b>Net financing expense</b>		<b>(17,584)</b>	<b>(17,300)</b>
<b>Loss before tax</b>		<b>(12,392,765)</b>	<b>(4,150,534)</b>
Taxation	7	2,393,859	-
<b>Loss from continuing operations</b>		<b>(9,998,906)</b>	<b>(4,150,534)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(9,998,906)</b>	<b>(4,150,534)</b>

The notes on pages 9 to 23 form part of these financial statements.

The directors consider the results to derive from continuing activities.



# Bladon Jets (UK) Limited

## Statement of Financial Position

At 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
<b>Non-current assets</b>			
Property, plant and equipment	8	1,529,920	1,213,805
Intangible assets	9	13,674	41,023
		<u>1,543,594</u>	<u>1,254,828</u>
<b>Current assets</b>			
Inventories		326,895	-
Trade and other receivables	10	2,874,937	473,410
Cash and cash equivalents	11	403,942	450,467
		<u>3,605,774</u>	<u>923,877</u>
<b>Total assets</b>		<u>5,149,368</u>	<u>2,178,705</u>
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	12	36,341,785	23,714,058
Trade and other payables	13	938,960	552,699
		<u>37,280,745</u>	<u>24,266,757</u>
<b>Non - current liabilities</b>			
Other interest-bearing loans and borrowings	12	127,500	171,919
		<u>127,500</u>	<u>171,919</u>
<b>Total liabilities</b>		<u>37,408,245</u>	<u>24,438,676</u>
<b>Net liabilities</b>		<u>(32,258,877)</u>	<u>(22,259,971)</u>
<b>Equity and reserves</b>			
Share capital	14	200	200
Share premium		79,960	79,960
Retained earnings		(32,339,037)	(22,340,131)
<b>Total equity</b>		<u>(32,258,877)</u>	<u>(22,259,971)</u>

The notes on pages 9 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 23 July 2019 and were signed on its behalf by:



**Paul D Barrett**  
Director



**David G Roberts**  
Director

# Bladon Jets (UK) Limited

## Statement of Changes in Equity

*For the year ended 31 December 2018*

	Share capital £	Share premium £	Retained earnings £	Total equity £
<b>Balance at 1 July 2017</b>	<b>200</b>	<b>79,960</b>	<b>(18,189,597)</b>	<b>(18,109,437)</b>
<b>Total comprehensive loss for the period</b>				
Loss for the period	-	-	(4,150,534)	(4,150,534)
<b>Total comprehensive loss for the period</b>	-	-	(4,150,534)	(4,150,534)
<b>Balance at 31 December 2017</b>	<b>200</b>	<b>79,960</b>	<b>(22,340,131)</b>	<b>(22,259,971)</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(9,998,906)	(9,998,906)
<b>Total comprehensive loss for the year</b>	-	-	(9,998,906)	(9,998,906)
<b>Balance at 31 December 2018</b>	<b>200</b>	<b>79,960</b>	<b>(32,339,037)</b>	<b>(32,258,877)</b>

The notes on pages 9 to 23 form part of these financial statements.

# Bladon Jets (UK) Limited

## Statement of Cash Flows

for year ended 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
<b>Cash flows from operating activities</b>			
Loss for the year		(9,998,906)	(4,150,534)
Adjustments for:			
Depreciation	8	764,612	291,201
Amortisation	9	27,349	13,674
Loss on disposal of property, plant and equipment		-	14,463
Financing costs	6	17,584	17,300
		<u>(9,189,361)</u>	<u>(3,813,986)</u>
Changes in:			
Increase in inventories		(326,895)	-
Increase in tax receivables		(906,895)	-
Increase in trade and other receivables		(1,494,632)	(168,911)
Increase/(Decrease) in trade and other payables		386,261	(12,991)
<b>Net cash used in operating activities</b>		<u>(11,531,522)</u>	<u>(3,995,798)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	8	(1,080,727)	(359,083)
<b>Net cash used in investing activities</b>		<u>(1,080,727)</u>	<u>(359,083)</u>
<b>Cash flows from financing activities</b>			
Loan from parent company	18	12,721,593	3,968,679
Repayment of borrowings	18	(155,869)	(147,951)
<b>Net cash from financing activities</b>		<u>12,565,724</u>	<u>3,820,728</u>
Net decrease in cash and cash equivalents		(46,525)	(534,153)
Cash and cash equivalents at beginning of year	11	450,467	984,620
<b>Cash and cash equivalents at end of year</b>	11	<u>403,942</u>	<u>450,467</u>

The notes on pages 9 to 23 form part of these financial statements.

# Bladon Jets (UK) Limited

## Notes

*(forming part of the financial statements for the year ended 31 December 2018)*

### **1 Reporting entity**

Bladon Jets (UK) Limited (the “Company”) is a company incorporated and domiciled in England in accordance with the Companies Act 2006. The Company’s registered office is at The Proving Factory, Gielgud Way, Coventry, CV2 2SA.

### **2 Basis of Preparation**

#### **2.1 Statement of Compliance**

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

#### **2.2 Basis of Measurement**

The financial statements have been prepared on the historical cost basis..

#### **2.3 Going Concern**

The directors have considered the financial position of the Company and believe that due to the on-going financial support of its parent company, the Company is well placed to meet its liabilities as they fall due. The directors are confident that the parent company has adequate resources to continue to provide the Company sufficient support to enable it to continue in operational existence for the foreseeable future and at least 12 months from the date of signing these financial statements and consequently they have continued to adopt the going concern basis for preparing the financial statements.

#### **2.4 Comparative period**

The comparative period is for six months from 1 July 2017 to 31 December 2017.

### **3 Significant accounting policies**

#### **3.1 Foreign currency**

The financial statements are presented in sterling, which is also the Company’s functional currency. Transactions in foreign currencies are translated 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 income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### **3.2 Estimations and uncertainty**

In applying the Company’s accounting policies, the Directors are required to make judgements and estimates that affect the financial statements. The most significant areas of estimation are considered to be the treatment of research and development costs as either a capitalised asset or an expense (see note 3.10).

# Bladon Jets (UK) Limited

## Notes (Continued)

*(forming part of the financial statements for the year ended 31 December 2018)*

### **3 Significant accounting policies (continued)**

#### **3.3 Non-derivative financial instruments**

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

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables and loans and borrowings*

Trade and other payables and loans and borrowings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits subject to an insignificant risk of change in fair value which are used by the group in the management of short-term commitments.

#### **3.4 Intangible assets**

##### *Research and development*

Expenditure on research activities is recognised in the income statement 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, has the technical ability and has 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. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

##### *Other intangible assets*

Non-current assets which incorporate both tangible and intangible elements are assessed to determine whether they should be classed as an intangible asset or as property, plant and equipment. The treatment is determined by an assessment of which element is more significant.

Two Gamma units of the Generator prototype have been capitalised on basis of costs incurred to acquire and bring the units to prototype position. The units were capitalised as at 30 June 2016 and are being amortised forward over their estimated useful lives of three years. Amortisation is charged to revenue costs in the statement of comprehensive income on a straight line basis.

#### **3.5 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

# Bladon Jets (UK) Limited

## Notes (Continued)

*(forming part of the financial statements for the year ended 31 December 2018)*

### **3 Significant accounting policies (continued)**

#### **3.6 Impairment**

*Financial assets (including receivables)*

The group measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

#### *12-month expected credit losses*

12-month expected credit losses are calculated by multiplying the probability of a default occurring in the next 12 months with the total (lifetime) expected credit losses that would result from that default, regardless of when those losses occur. Therefore, 12-month expected credit losses represent a financial asset's lifetime expected credit losses that are expected to arise from default events that are possible within the 12 month period following origination of an asset, or from each reporting date for those assets in initial recognition stage.

#### *Lifetime expected credit losses*

Lifetime expected credit losses are the present value of expected credit losses that arise if a borrower defaults on its obligation at any point throughout the term of a lender's financial asset (that is, all possible default events during the term of the financial asset are included in the analysis). Lifetime expected credit losses are calculated based on a weighted average of expected credit losses, with the weightings being based on the respective probabilities of default.

#### **3.7 Provisions**

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

#### **3.8 Revenue and other operating income**

Turnover represents amounts receivable from the sale of goods, and provision of services, and is recorded net of VAT and trade discounts.

All turnover generated in the year represents amounts receivable on bespoke highly technical project assignments for customers in the motor industry. Revenue is recognised when the company completes the sale.

Other operating income represents grant compensation for expenses incurred and are recognised in profit or loss on a systematic basis as described in note 3.11.

# Bladon Jets (UK) Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 December 2018)*

### **3 Significant accounting policies (continued)**

#### **3.9 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	20% straight line basis
Workshop equipment	20% and 50% straight line basis
Office furniture and equipment	50% straight line basis
Computer equipment	50% straight line basis
Specialised workshop equipment	20% straight line basis

No depreciation is provided on assets under construction. Assets under construction are carried at cost, less any recognised impairment loss. Depreciation on assets under construction commences when the assets are ready for their intended use.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. At the end of each accounting period, all fixed assets are reviewed for indicators of impairment. When impairments are identified, the write-down is recognised within profit and loss.

Gains and losses on disposal of a fixed asset item are recognised within profit and loss.

#### **3.10 Research and development**

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit.

#### **3.11 Government grants**

Grants are recognised on receipt and are credited to deferred revenue. Grants towards capital expenditure are released to the income statement over the expected useful life of the assets. Grants towards revenue expenditure are released to the income statement as the related expenditure is incurred.

#### **3.12 Expenses**

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

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

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 3 Significant accounting policies (continued)

#### 3.13 Taxation

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

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. Tax rebates received are included within the taxation balance in the period they are received

#### 3.14 Accounting policies

##### *Adoption of new and revised standards*

##### *IFRS 9 – Financial Instruments*

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The simplified approach for measuring the loss allowance at an amount equal to lifetime ECL was calculated and there was no material impact on the prior and current provisions for trade receivables.

##### *IFRS 15 – Revenue from contracts with customers*

In the current year, the group has considered the application of IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5 step approach to revenue recognition. Given the amounts recorded as revenue through contracts with customers are recognised at the transaction price and become due on receipt of invoice, there will be no significant impact to the company as a result of the adoption of IFRS 15.

##### *New standards and interpretations not adopted*

The following IFRSs have been issued but have not been applied by the company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Standards not yet effective, but available for early adoption	Effective Date (accounting periods commencing on or after)
IFRS 16 Leases	1 January 2019
Amendments to IFRS 9 - Prepayment Features with Negative Compensation	1 January 2021
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to IAS 19 Employee Benefits	1 January 2019
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Optional
IFRIC 23 - Uncertainty over Income Tax Treatments	1 January 2019

The Directors do not expect the adoption of the other standards to have a material impact on the company's financial statements in the period of initial application, except as noted below:

##### *IFRS 16 – Leases*

IFRS 16 comes into effect for accounting periods commencing January 1, 2019, so will be first applied in financial statements for 31 December 2019. The company plans to retain prior period figures under the previous standard and restate opening retained earnings as if IFRS 16 had been applied.

IFRS 16 then requires an adjustment to the opening balance of equity as at the date of the initial application recognising the cumulative effect of applying IFRS 16 and this will be recognised by measuring the asset at an amount equal to the liability.



# Bladon Jets (UK) Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 December 2018)*

### **3 Significant accounting policies (continued)**

#### **3.14 Accounting policies (continued)**

##### **IFRS 16 – Leases (continued)**

On initial application of IFRS 16, for the lease identified, the company will:

- a) Recognise right of use assets and lease liabilities in the statement of financial position, initially measured at the present fair value of the future lease payments;
- b) Recognise depreciation of right of use assets and interest on lease liabilities in the statement of comprehensive income;
- c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight line basis as permitted by IFRS 16.

As at 31 December 2018, the company has one operating lease in relation to the rental of office space. The lease value is £600,000 per annum and the termination date is 31 August 2021, giving 2 years and 8 months remaining.

As such, the right of use asset and lease liability to be recognised will be £1.5 million.

The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

#### **3.15 Retirement Benefits**

Payments to defined contribution benefit schemes are charged as an expense as they fall due.

#### **3.16 Employee Benefits**

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

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

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

#### **3.17 Share capital, share premium and reserves**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Equity instruments are recorded at the proceeds received, net of direct issue cost.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 4 Other operating income

	31 December 2018 £	31 December 2017 £
Regional Growth Fund grant released	8,168	7,015
Innovate UK (TAB)	62,327	40,988
Advance Manufacturing Supply Chain Initiative (AMSCI)	-	(1,500)
Innovate UK (COAST)	337,696	232,347
Innovate UK (HERMIT)	41,830	61,955
Innovate UK (MITREC)	151,099	33,673
	<u>601,120</u>	<u>374,478</u>

Income grants received in the year or comparative period are as follows:

Regional Growth Fund	Project to provide assistance to undertake specialist research required to develop micro gas turbine and automotive range extender products.
Innovate UK (TAB)	Turbocharger Air Bearings (TAB). A consortium of Bladon Jets, Cummins Turbo Technologies and the University of Huddersfield will further the design and development of air bearings to deliver oil-free turbochargers.
Advance Manufacturing Supply Chain Initiative (AMSCI)	This project aims to develop a proving factory to support companies as they move the design and development phase into design for manufacture and initial pilot and low volume builds.
Innovate UK (COAST)	Critical Oil and Air System Technologies (COAST). A Rolls Royce led project which seeks to develop a novel method of providing air to the cabin of a passenger aircraft using single stage energy conversion which will incorporate oil-free air bearing technologies.
Innovate UK (HERMIT)	High Efficiency Recuperator for stationery power Micro Turbine (HERMIT). The project aims to develop a novel recuperator through the application of production additive manufacturing techniques specifically high productivity selective laser melting.
Innovate UK (MITREC)	Micro Turbine Renewable Energy Combuster (MITREC). Bladon Jets have identified that small scale micro turbine biogas power generators are the ideal technology to provide decentralised clean, affordable, and resilient energy in developing countries. This project will design, manufacture and validate a combustion system that can run on renewable gaseous fuels, based on the existing Bladon Jets' 12kWe recuperated micro turbine architecture.

There are conditions where the Company could be required to repay grant monies. However, the grant claims are subject to regular reviews and audits which confirm the Company is complying with its obligations and meeting its milestone targets and project deliverables. The Company does not foresee any circumstances where those condition clauses would be invoked and therefore no provision or contingent liability is required to be disclosed.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 5 Administrative expenses

Included in profit/loss are the following charges / (credits):

	31 December 2018 £	31 December 2017 £
Director's remuneration	584,567	193,333
Director's compensation for loss of office	30,000	-
Auditor's remuneration		
- Audit services	-	5,175
Depreciation	764,961	291,201
Amortisation	27,349	13,674
Operating lease rentals	488,663	118,170
Loss on disposal of tangible assets	-	14,463
Research and development expenditure	5,748,920	2,833,970
Loss/(profit) on currency exchange	12,300	(39)
	<u>584,567</u>	<u>291,201</u>

### 6 Finance expense

	31 December 2018 £	31 December 2017 £
Finance expense		
Hire purchase interest and charges	14,751	8,559
Capital asset finance interest	2,833	8,741
	<u>17,584</u>	<u>17,300</u>
Total finance expense	17,584	17,300

### 7 Taxation

No UK corporation tax is payable due to the availability of taxable losses. Taxable losses of approximately £10 million are available for offset against future profits.

The company has made a claim for £906,895 (2017: £1,486,964) in the year relating to Research and Development tax relief claimed from HM Revenue and Customs in respect of the Company's research and development activities during the financial period ended 31 December 2017.

In addition £1,486,964 Research and Development tax relief was received in the year relating to the period ended 30 June 2017.

Estimated Research and Development tax relief for 31 December 2018 is expected to be £1,995,000 (2017: £800,000). The final submission will be made shortly after the accounts are formally adopted and the income receipt will be accounted for in the year ended 31 December 2019.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 8 Property, plant and equipment

	Leasehold improvement £	Assets under construction	Workshop equipment £	Office furniture and equipment £	Computer equipment and software £	Total £
<b>Cost</b>						
Balance at 1 July 2017	348,338	-	476,334	22,111	328,864	1,175,647
Additions	70,757	-	221,522	12,581	54,223	359,083
Disposals	(17,930)	-	-	-	-	(17,930)
Balance at 31 December 2017	401,165	-	697,856	34,692	383,087	1,516,800
Balance at 1 January 2018	401,165		697,856	34,692	383,087	1,516,800
Additions	124,015	420,924	446,525	3,165	84,684	1,079,313
Disposals	-	-	-	-	(919)	(919)
Balance at 31 December 2018	525,180	420,924	1,144,381	37,857	466,852	2,595,194
<b>Depreciation and impairment</b>						
Balance at 1 July 2017	39,074	-	284,333	14,856	272,347	610,610
Depreciation charge for the year	36,340	-	98,794	4,653	31,356	171,143
Disposals	(3,467)	-	-	-	-	(3,467)
Balance at 31 December 2017	71,947	-	383,127	19,509	303,703	778,286
Balance at 1 January 2018	71,947	-	383,127	19,509	303,703	778,286
Depreciation charge for the year	94,862	-	336,593	11,384	82,675	525,514
Disposals	-	-	-	-	(919)	(919)
Balance at 31 December 2018	166,809	-	719,720	30,893	385,459	1,302,881
<b>Net book value</b>						
At 1 July 2017	309,264	-	192,001	7,255	56,517	565,037
At 31 December 2017	329,218	-	314,729	15,183	79,384	738,514
At 31 December 2018	358,371	420,924	424,661	6,964	81,393	1,292,313

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 8 Property, plant and equipment (continued)

#### Specialised workshop equipment

	31 December 2018 £	31 December 2017 £
<b>Cost</b>		
Balance at 1 January 2018	475,291	595,349
Additions	1,414	-
Depreciation charge for the year	(239,098)	(120,058)
<b>Balance at 31 December 2018</b>	<b>237,607</b>	<b>475,291</b>

Included within specialised workshop equipment is an asset held under a hire purchase agreement with a new book value of £170,983 (2017: £233,593). Depreciation charged on this asset amounted to £52,610 (2017: £13,153).

#### Security

At 31 December 2018 workshop equipment with a net book value of £237,607 (2017: £475,291) was pledged as security for the capital and finance loans received from Close Brothers Asset Finance.

### 9 Intangible assets

#### Gamma Units

	31 December 2018 £	31 December 2017 £
<b>Cost</b>		
Balance at 1 January 2018	41,023	54,697
Amortisation	(27,349)	(13,674)
<b>Balance at 31 December 2018</b>	<b>13,674</b>	<b>41,023</b>

Two Gamma Units were capitalised at 30 June 2016 having been completed just prior to the year end. Amortisation of the units commenced during the year ended 30 June 2017.

### 10 Trade and other receivables

	31 December 2018 £	31 December 2017 £
Trade receivables	63,929	-
Grants receivable	174,946	278,883
Value added tax	608,335	97,283
Other debtors	956,799	14,501
R & D tax credits	906,895	-
Prepayments	164,033	82,743
	<b>2,874,937</b>	<b>473,410</b>

### 11 Cash and cash equivalents

	31 December 2018 £	31 December 2017 £
Cash held at bank and in hand	<b>403,942</b>	<b>450,467</b>

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 12 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 15.

	31 December 2018 £	31 December 2017 £
<b>Non-current liabilities</b>		
Regional Growth Fund grant	33,257	42,088
Obligations under hire purchase agreements	94,243	129,831
	<u>127,500</u>	<u>171,919</u>
<b>Current liabilities</b>		
Obligations under hire purchase agreements	35,568	32,196
Amounts due to group companies	36,306,217	23,584,624
Current portion of capital asset finance loans	-	97,238
	<u>36,341,785</u>	<u>23,714,058</u>

#### Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Carrying amount 31 December 2018 £	Carrying amount 31 December 2017 £
Close Brothers Hire Purchase Agreement	26.2%	2022	129,811	162,027
Close Brothers Asset Finance Capital Asset loan 1	10.8%	2018	-	55,264
Close Brothers Asset Finance Capital Asset loan 2	10.8%	2018	-	16,400
Close Brothers Asset Finance Capital Asset loan 3	10.8%	2018	-	25,574

Amounts due to group companies bear interest at 0% and are repayable on demand.

The Regional Growth Fund grant was received in respect of the asset held under a hire purchase agreement. This grant is non-interest bearing and is released to the profit and loss over the five year term of the hire purchase agreement.

### 13 Trade and other payables

	31 December 2018 £	31 December 2017 £
<b>Current</b>		
Trade payables	134,979	342,873
Non-trade payables and accrued expenses	803,981	209,826
	<u>938,960</u>	<u>552,699</u>

### 14 Share capital

	31 December 2018 £	31 December 2017 £
<i>Authorised</i>		
200 Ordinary shares of £1 each	<u>200</u>	<u>200</u>
<i>Allotted, called up and fully paid</i>		
200 Ordinary shares of £1 each	<u>200</u>	<u>200</u>

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 15 Financial instruments

#### 15.1 Fair value of financial instruments

The carrying value of short-term financial assets and financial liabilities (cash, debtors and creditors) approximate their fair value.

The fair values of all financial assets and financial liabilities by class, together with their carrying amounts shown in the statement of financial position, are as follows:

	Carrying amount 31 December 2018 £	31	Fair value December 2018 £	31	Carrying amount December 2017 £	31	Fair value December 2017 £
<b>Financial assets measured at amortised cost</b>							
Cash and cash equivalents (note 11)	403,942		403,942		450,467		450,467
Trade and other receivables (note 10)	2,710,904		2,710,904		390,667		390,667
<b>Total financial assets</b>	<b>3,114,846</b>		<b>3,114,846</b>		<b>841,134</b>		<b>841,134</b>
<b>Financial liabilities measured at amortised cost</b>							
Other interest-bearing loans and borrowings (note 12)	36,469,285		36,469,285		23,885,977		23,885,977
Trade and other payables (note 13)	693,443		693,443		468,982		486,982
<b>Total financial liabilities</b>	<b>37,162,728</b>		<b>37,162,728</b>		<b>24,354,959</b>		<b>24,354,959</b>

#### Financial risk management

The Company's operations expose it to a variety of financial risks including credit risk, currency risk, interest rate risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance and net assets.

The principal financial risks of the Company and how the Company manages these risks are discussed below.

#### 15.2 Credit risk

The Company's principal credit risks are attributable to its cash and cash equivalents, trade receivables and related party receivables.

Trade receivables are presented in the statement of financial position net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis using credit checks.

At the reporting date there were no significant concentrations of third party credit risk, with exposure limited to one customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position. The Company does not require collateral in respect of financial assets.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the period ended 31 December 2018)

### 15 Financial instruments (continued)

#### 15.2 Credit risk (continued)

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company manages its exposure to credit risk by only placing its financial assets with reputable financial institutions with strong credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at 31 December 2018 was £3,114,846 (2017: £841,134) being the total of the carrying amount of cash and cash equivalents, trade and other receivables and related party receivables.

#### 15.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its obligations. The Company aims to maintain appropriate liquidity through the daily monitoring of its actual and projected cash position.

The following are the contractual maturities of financial liabilities, including estimated interest payments (all cash flows are undiscounted).

31 December 2018	Carrying amount £	1 year or less £	1 to < 2 years £	2 to < 5 years £	5 years and over £
<b>Non-derivative financial liabilities</b>					
Regional Growth Fund Grant	33,257	14,029	14,029	5,199	-
Trading and other payables	693,443	693,443	-	-	-
Due to group companies	36,306,217	36,306,217	-	-	-
Obligations under hire purchase agreements	129,811	35,568	39,292	54,951	-
	<u>37,162,728</u>	<u>37,049,257</u>	<u>53,321</u>	<u>60,150</u>	<u>-</u>
31 December 2017	Carrying amount £	1 year or less £	1 to < 2 years £	2 to < 5 years £	5 years and over £
<b>Non-derivative financial liabilities</b>					
Regional Growth Fund Grant	42,088	14,029	14,029	14,030	-
Capital finance loans	97,238	97,238	-	-	-
Trading and other payables	468,982	468,982	-	-	-
Due to group companies	23,584,624	23,584,624	-	-	-
Obligations under hire purchase agreements	162,027	32,196	32,196	97,635	-
	<u>24,354,959</u>	<u>24,197,069</u>	<u>46,225</u>	<u>111,665</u>	<u>-</u>



# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 15 Financial instruments (continued)

#### 15.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments.

The Company incurs foreign currency risk on purchases that are denominated in currency other than sterling. However, the Company's exposure to currencies other than sterling is not considered to be material.

The Company's exposure to the risk of changes in market interest rates relates primarily to foreign exchange rates.

#### *Market risk – interest rate risk*

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was:

	31 December 2018 £	31 December 2017 £
<b>Variable rate financial instruments</b>		
Financial assets	403,942	450,467
<b>Fixed rate financial instruments</b>		
Financial liabilities	(163,068)	(301,353)
	<u>240,874</u>	<u>149,114</u>

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps.

Any change in base point interest rates will have no effect on the balance sheet as all financial liabilities have fixed interest terms or there is no interest rate exposure.

### 16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31 December 2018 £	31 December 2017 £
Less than one year	600,000	236,340
Between one and five years	1,000,000	236,340
	<u>1,600,000</u>	<u>472,680</u>

The Company leases one premises at The Proving Factory, Coventry, United Kingdom. The lease agreement expires on 31 August 2021.

During the year £488,663 (2017: £118,170) was recognised as rental expense.

### 17 Commitments

#### *Capital commitments*

At the statement of financial position date, the Company had entered into contracts to purchase plant, computer equipment and software amounting to £263,342 (2017: £27,508).

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2018)

### 18 Related parties

The ultimate controlling party is Bladon Jets Holdings Ltd.

*Related party transactions – company*

	Receivables outstanding		Payables outstanding	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	£	£	£	£
Bladon Jets Limited, fellow group subsidiary	-	-	-	-
Bladon Jets Holdings Ltd, parent company	-	-	36,306,217	23,584,624
	<u>-</u>	<u>-</u>	<u>36,306,217</u>	<u>23,584,624</u>

The Company entered into the following transactions with related parties:

	31 December	31 December
	2018	2017
	£	£
<b>Bladon Jets Limited (fellow subsidiary)</b>		
Loans repaid	97,498	-
Contracted sales	367,502	266,689
Payments received	465,000	272,633
Management charge to Bladon Jets Limited	-	5,944
	<u>-</u>	<u>5,944</u>
<b>Bladon Jets Holdings Ltd (parent company)</b>		
Management charge from Bladon Jets Holdings Ltd	339,592	129,867
Expenses paid by Bladon Jets Holdings Ltd	159,056	2,083
Rent	22,500	35,500
Loans received	13,147,498	4,400,000
Loans repaid	924,710	535,656
Management charges to Bladon Jets Holdings Ltd	-	63,115
Expenses paid by Bladon Jets (UK) Limited	22,343	-
	<u>22,343</u>	<u>-</u>

### 19 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 84 (2017: 56). Staff are not categorised.

The aggregate payroll costs of these persons were as follows:

	31 December	31 December
	2018	2017
	£	£
Director compensation loss of office	30,000	-
Wages and salaries	4,436,153	1,437,634
Bonuses	38,667	154,936
Social security costs	526,443	192,831
Pension contributions	105,199	15,116
	<u>5,136,462</u>	<u>1,800,517</u>

### 20 Subsequent events

To the knowledge of the Directors, there were no significant subsequent events requiring disclosure.