

Bladon Jets (UK) Limited

**Annual Report and Financial
Statements**

Registered number 4479217

Year end 31 December 2019

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Bladon Jets (UK) Limited

Company Information

Directors: Mr P D Barrett
Mr P M Lelliott
Mr D G Roberts (Appointed 1 January 2019)

Secretary Mr D G Roberts

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
IM1 1LA

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 2019.

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.

Product & Market 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 during 2020 on the back of a substantial customer order.

Funding & Going Concern

During the year, the holding company has raised £20million through a convertible loan note with an existing shareholder. Subsequent to the year end, this loan has been converted to equity.

Based on this 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 £16,050,702 (2018: £9,998,906). No dividend was paid in the current year or prior period.

Directors

The following directors have held office since 1 January 2019 and to date:

Mr P D Barrett
Mr P M Lelliott
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.

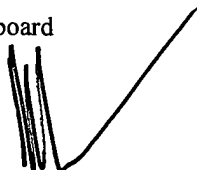
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

By Order of the board

Mr D G Roberts
Secretary



28 July 2020

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 2019 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 2019 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.

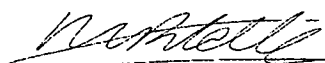
Auditor's responsibilities

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.

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
IM1 1LA
3 August 2020

Bladon Jets (UK) Limited

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Revenue		125,970	405,791
Cost of Sales		(3,961,157)	(1,153,587)
Gross loss		(3,835,187)	(747,796)
Other operating income	4	932,722	601,120
Administrative expenses	5	(15,550,146)	(12,228,505)
Operating loss		(18,452,611)	(12,375,181)
Net finance expenses	6	(30,844)	(17,584)
Net financing expense		(30,844)	(17,584)
Loss before tax		(18,483,455)	(12,392,765)
Taxation	7	2,432,753	2,393,859
Loss from continuing operations		(16,050,702)	(9,998,906)
Other comprehensive income		-	-
Total comprehensive loss for the year		(16,050,702)	(9,998,906)

The notes on pages 9 to 24 form part of these financial statements.

The directors consider the results to derive from continuing activities.

Bladon Jets (UK) Limited

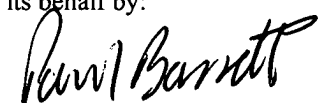
Statement of Financial Position

At 31 December 2019

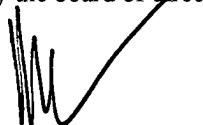
	Note	31 December 2019 £	31 December 2018 £
Non-current assets			
Property, plant and equipment	8	1,658,478	1,529,920
Right of use asset	16	769,620	-
Intangible assets	9	-	13,674
		<u>2,428,098</u>	<u>1,543,594</u>
Current assets			
Inventories		455,808	326,895
Trade and other receivables	10	3,007,938	2,874,937
Cash and cash equivalents	11	1,009,385	403,942
		<u>4,473,131</u>	<u>3,605,774</u>
Total assets		<u>6,901,229</u>	<u>5,149,368</u>
Current liabilities			
Other interest-bearing loans and borrowings	12	53,333,263	36,341,785
Trade and other payables	13	1,682,314	938,960
		<u>55,015,577</u>	<u>37,280,745</u>
Non - current liabilities			
Other interest-bearing loans and borrowings	12	195,231	127,500
		<u>195,231</u>	<u>127,500</u>
Total liabilities		<u>55,210,808</u>	<u>37,408,245</u>
Net liabilities		<u>(48,309,579)</u>	<u>(32,258,877)</u>
Equity and reserves			
Share capital	14	200	200
Share premium		79,960	79,960
Retained earnings		(48,389,739)	(32,339,037)
Total equity		<u>(48,309,579)</u>	<u>(32,258,877)</u>

The notes on pages 9 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 28 July 2020 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 2019

	Share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2018	200	79,960	(22,340,131)	(22,259,971)
Total comprehensive loss for the year				
Loss for the year	-	-	(9,998,906)	(9,998,906)
Total comprehensive loss for the year	-	-	(9,998,906)	(9,998,906)
Balance at 31 December 2018	200	79,960	(32,339,037)	(32,258,877)
Total comprehensive loss for the year				
Loss for the year	-	-	(16,050,702)	(16,050,702)
Total comprehensive loss for the year	-	-	(16,050,702)	(16,050,702)
Balance at 31 December 2019	200	79,960	(48,389,739)	(48,309,579)

The notes on pages 9 to 24 form part of these financial statements.

Bladon Jets (UK) Limited

Statement of Cash Flows

For year ended 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Cash flows from operating activities			
Loss for the year		(16,050,702)	(9,998,906)
Adjustments for:			
Depreciation	8	933,900	764,612
Amortisation	9	13,674	27,349
Profit on disposal of property, plant and equipment	4	(347,243)	-
Financing costs	6	30,844	17,584
Right of use asset amortisation	16	581,208	-
		<u>(14,838,319)</u>	<u>(9,189,361)</u>
Changes in:			
Increase in inventories		(128,913)	(326,895)
Decrease/ (increase) in tax receivables		906,895	(906,895)
Increase in trade and other receivables		(1,039,896)	(1,494,632)
Increase in trade and other payables		743,354	386,261
		<u>(14,356,879)</u>	<u>(11,531,522)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(1,185,393)	(1,080,727)
Proceeds from sale of property, plant and equipment		470,178	-
		<u>(715,215)</u>	<u>(1,080,727)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Loan from parent company	18	16,742,810	12,721,593
Repayment of borrowings		(172,957)	(155,869)
Payment of lease liabilities		(892,317)	-
		<u>15,677,537</u>	<u>12,565,724</u>
Net cash from financing activities			
Net decrease in cash and cash equivalents		605,443	(46,525)
Cash and cash equivalents at beginning of year	11	403,942	450,467
		<u>1,009,385</u>	<u>403,942</u>
Cash and cash equivalents at end of year	11		

The notes on pages 9 to 24 form part of these financial statements.

Bladon Jets (UK) Limited

Notes

(forming part of the financial statements for the year ended 31 December 2019)

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 from a major shareholder of its parent company, the Company is well placed to meet its liabilities as they fall due. The directors are confident that the major shareholder 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.

The Directors recognise that there is risk involved in the growth of the business attributed to delays to product launch, higher bill of materials, higher than anticipated warranty claims and other operational costs.

As a result of the Covid-19 global pandemic the board have had to adjust the business plan at group level to take account of the current climate and delayed production timetables but are confident with the support received from the major shareholder of its parent company, the company has sufficient resources to continue as a going concern. Production is due to restart later in 2020 and increase accordingly in 2021.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from a major shareholder of its parent company, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the major shareholder providing additional financial support of in region of £10m during that period. The major shareholder has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on related entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

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

Bladon Jets (UK) Limited

Notes (Continued)

(forming part of the financial statements for the year ended 31 December 2019)

3 Significant accounting policies (continued)

3.1 Foreign currency (continued)

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) and the treatment of leases under IFRS 16 (see note 16).

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 company in the management of short-term commitments. Cash and cash equivalents are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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.

As at 31 December 2019, both units have been fully amortised.

Bladon Jets (UK) Limited

Notes (Continued)

(forming part of the financial statements for the year ended 31 December 2019)

3 Significant accounting policies (continued)

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.

3.6 Impairment excluding inventories

Financial assets (including receivables)

The company 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 grant project assignments for various bodies in the United Kingdom. Revenue is recognised when the company completes the work in accordance with the contracts.

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 2019)

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 and tooling equipment	10%, 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

Administration expenses

Administration expenses are recognised as they accrue.

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.

3.13 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income 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.

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

3 Significant accounting policies (continued)

3.13 Taxation (continued)

i) Current tax

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.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred assets and liabilities are offset only if certain criteria are met.

3.14 Retirement Benefits

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

3.15 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.

3.16 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.

3.17 Changes in significant accounting policies

Adoption of new and revised standards

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

3.17 Changes in significant accounting policies (continued)

B. As a lessee

i. Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since 1 January 2019, discounted using the Company's incremental borrowing rate at the date of initial application the Company applied this approach to its property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment)
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and used hindsight when determining the lease term.

ii. Leases classified as finance leases under IAS 17

The Company leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately at that date.

C. Impact on financial statements

On transition to IFRS 16, the Company recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	1 January 2019
Right-of-use assets	753,652
Deferred tax asset	-
Lease liabilities	753,652
Retained earnings	-

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019.

3.18 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 issued but not yet effective	Effective Date (accounting periods commencing on or after)
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

4 Other operating income

	31 December 2019	31 December 2018
	£	£
Sundry Income	449	-
Profit on disposal of tangible assets	347,243	-
Regional Growth Fund grant released	23,181	8,168
Innovate UK (TAB)	-	62,327
Innovate UK (HiComp2)	26,652	-
Innovate UK (COAST)	86,033	337,696
Innovate UK (HERMIT)	57,980	41,830
Innovate UK (MITREC)	391,184	151,099
	<u>932,722</u>	<u>601,120</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.
Innovate UK (HiComp2)	High Performance Electric Compressor (HiComp2). A consortium of Bladon Jets, Equipmake, Hieta and the University of Bath will under this project to develop a novel high speed twin turbine compressor utilising state of the art developments in the field of turbo machinery and power electronics producing a more efficient, significantly lighter and lower cost compressor. The product will act as an enabler to accelerate the adoption of zero emission commercial vehicles.
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 2019)

5 Administrative expenses

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

	31 December 2019 £	31 December 2018 £
Director's remuneration	290,833	584,567
Director's compensation for loss of office	-	30,000
Auditor's remuneration		
- Audit services	13,000	-
Depreciation	933,900	764,961
Amortisation	13,674	27,349
Operating lease rentals	334,615	488,663
Right of use asset amortisation	581,208	-
Research and development expenditure	6,731,726	5,748,920
Profit/(loss) on currency exchange	21,507	12,300
	<u> </u>	<u> </u>

6 Finance expense

	31 December 2019 £	31 December 2018 £
Right of use assets lease interest charges	20,956	-
Hire purchase interest and charges	9,888	14,751
Capital asset finance interest	-	2,833
	<u> </u>	<u> </u>
Total finance expense	30,844	17,584
	<u> </u>	<u> </u>

7 Taxation

No UK corporation tax is payable due to the availability of taxable losses.

The company has made a claim for £2,432,753 (2018: £906,895) 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 2018.

Estimated Research and Development tax relief for 31 December 2019 is expected to be circa £2,500,000 (2018: £1,995,000). 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 2020.

Based on a Research and Development tax relief claim of £2,500,000 for the year, it is expected that the company will have tax losses carried forward as at 31 December 2019 of £24.4m.

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

8 Property, plant and equipment

	Leasehold Improvement £	Assets under construction £	Workshop equipment £	Office furniture and equipment £	Computer equipment and software £	Total £
Cost						
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	<u>525,180</u>	<u>420,924</u>	<u>1,144,381</u>	<u>37,857</u>	<u>466,852</u>	<u>2,595,194</u>
Balance at 1 January 2019	525,180	420,924	1,144,381	37,857	466,852	2,595,194
Additions	-	1,185,216	177	-	-	1,185,393
Transfers	272,749	(1,467,549)	1,022,246	41,317	131,237	-
Balance at 31 December 2019	<u>797,929</u>	<u>138,591</u>	<u>2,166,804</u>	<u>79,174</u>	<u>598,089</u>	<u>3,780,587</u>
Depreciation						
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	<u>166,809</u>	<u>-</u>	<u>719,720</u>	<u>30,893</u>	<u>385,459</u>	<u>1,302,881</u>
Balance at 1 January 2019	166,809	-	719,720	30,893	385,459	1,302,881
Depreciation charge for the year	144,303	-	553,003	18,878	103,916	820,100
Balance at 31 December 2019	<u>311,112</u>	<u>-</u>	<u>1,272,723</u>	<u>49,771</u>	<u>489,375</u>	<u>2,122,981</u>
At 31 December 2018	<u>358,371</u>	<u>420,924</u>	<u>424,661</u>	<u>6,964</u>	<u>81,393</u>	<u>1,292,313</u>
At 31 December 2019	<u>486,817</u>	<u>138,591</u>	<u>894,081</u>	<u>29,403</u>	<u>108,714</u>	<u>1,657,606</u>

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

8 Property, plant and equipment (continued)

Specialised workshop equipment

	31 December 2019 £	31 December 2018 £
Balance at 1 January 2019	237,607	475,291
Additions	-	1,414
Disposals	(122,935)	-
Depreciation charge for the year	(113,800)	(239,098)
Balance at 31 December 2019	872	237,607

The asset purchased under a hire purchase agreement in a prior period was disposed of during the year.

Security

At 31 December 2019 workshop equipment with a net book value of £872 (2018: £237,607) was pledged as security for the capital and finance loans received from Close Brothers Asset Finance. The capital and finance loan was fully repaid in the year.

9 Intangible assets

Gamma Units

	31 December 2019 £	31 December 2018 £
Balance at 1 January	13,674	41,023
Amortisation	(13,674)	(27,349)
Balance at 31 December	-	13,674

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. As at 31 December 2019 both units have been fully amortised.

10 Trade and other receivables

	31 December 2019 £	31 December 2018 £
Trade receivables	44,002	63,929
Grants receivable	129,255	174,946
Value added tax	871,481	608,335
Other debtors	1,742,483	956,799
R & D tax credits	-	906,895
Prepayments	220,717	164,033
	3,007,938	2,874,937

11 Cash and cash equivalents

	31 December 2019 £	31 December 2018 £
Cash held at bank and in hand	1,009,385	403,942

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

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 2019 £	31 December 2018 £
Non-current liabilities		
Regional Growth Fund grant	-	33,257
Obligations under hire purchase agreements	-	94,243
Lease liability	195,231	-
	<u>195,231</u>	<u>127,500</u>
Current liabilities		
Obligations under hire purchase agreements	-	35,568
Amounts due to group companies	53,049,027	36,306,217
Lease liability	284,236	-
	<u>53,333,263</u>	<u>36,341,785</u>

Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Carrying amount 31 December 2019 £	Carrying amount 31 December 2018 £
Obligations under hire purchase agreements	26.2%	2019	-	129,811
Lease liability	3.68%	2021	479,467	-

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. The Regional Growth Fund grant was fully released in the year. The obligations under hire purchase agreements were fully repaid in the year.

13 Trade and other payables

	31 December 2019 £	31 December 2018 £
Current		
Trade payables	258,859	134,979
Non-trade payables and accrued expenses	1,423,455	803,981
	<u>1,682,314</u>	<u>938,960</u>

14 Share capital

	31 December 2019 £	31 December 2018 £
<i>Authorised</i>		
200 Ordinary shares of £1 each	200	200
<i>Allotted, called up and fully paid</i>		
200 Ordinary shares of £1 each	200	200

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

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 2019 £	Fair value 31 December 2019 £	Carrying amount 31 December 2018 £	Fair value 31 December 2018 £
Financial assets measured at amortised cost				
Cash and cash equivalents (note 11)	1,009,385	1,009,385	403,942	403,942
Trade and other receivables (note 10)	1,915,740	1,915,740	1,195,674	1,195,674
Total financial assets	2,925,125	2,925,125	1,599,616	1,599,616
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 12)	53,528,494	53,528,494	36,469,285	36,469,285
Trade and other payables	1,482,472	1,482,472	712,239	712,239
Total financial liabilities	55,010,966	55,010,966	37,181,524	37,181,524

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.

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 2019)

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 2019 was £2,925,125 (2018: £1,599,616) being the total of the carrying amount of cash and cash equivalents, trade and other receivables.

In accordance with IFRS 7 'Financial Instruments: Disclosures', the following disclosures have been made regarding the trade receivable balances.

	Carrying amount £	Not overdue on the reporting dates £	Less than 90 days £	Between 90 to 180 days £
Trade receivables as at 31 December 2019	44,002	44,002	-	-
Trade receivables as at 31 December 2018	63,929	63,929	-	-

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).

	Carrying amount £	1 year or less £	1 to < 2 years £	2 to < 5 years £	5 years and over £
31 December 2019					
Non-derivative financial liabilities					
Trade and other payables	1,482,472	1,482,472	-	-	-
Lease liabilities	479,467	284,236	195,231	-	-
Due to group companies	53,049,027	53,049,027	-	-	-
	<u>55,010,966</u>	<u>54,815,735</u>	<u>195,231</u>	<u>-</u>	<u>-</u>
31 December 2018					
Non-derivative financial liabilities					
Regional Growth Fund Grant	33,257	14,029	14,029	5,199	-
Trade and other payables	712,239	712,239	-	-	-
Due to group companies	36,306,217	36,306,217	-	-	-
Obligations under hire purchase agreements	129,811	35,568	39,292	54,951	-
	<u>37,181,524</u>	<u>37,068,053</u>	<u>53,321</u>	<u>60,150</u>	<u>-</u>

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

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 2019 £	31 December 2018 £
Variable rate financial instruments		
Financial assets	1,009,385	403,942
Fixed rate financial instruments		
Financial liabilities	-	(163,068)
	<u>1,009,385</u>	<u>240,874</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 Leases as a lessee (IFRS 16)

The Company leases a manufacturing, research and development facility in Coventry.

The Company leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property plant and equipment.

	Total
Balance at 1 January 2019	753,652
Additions to right-of-use assets	597,176
Depreciation charge for the year	(581,208)
Balance at 31 December 2019	769,620

The Company has recognised £20,956 as interest on lease liabilities in profit or loss under IFRS 16. During the year ended 31 December 2018, £488,663 was recognised as a rental and service charge expense by the Company. Total cash outflows for leases amounting to £295,140 have been recognised in the statement of cash flows.

17 Commitments

At the statement of financial position date, the Company had entered into contracts to purchase plant, computer equipment and software amounting to £988,384 (2018: £263,342).

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

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
	2019	2018	2019	2018
	£	£	£	£
Bladon Jets Limited, fellow group subsidiary	-	-	-	-
Bladon Jets Holdings Ltd, parent company	-	-	53,049,027	36,306,217
	<u>-</u>	<u>-</u>	<u>53,049,027</u>	<u>36,306,217</u>

The Company entered into the following transactions with related parties:

	31 December	31 December
	2019	2018
	£	£
Bladon Jets Limited (fellow subsidiary)		
Loans repaid	-	97,498
Contracted sales	-	367,502
Payments received	-	465,000
	<u>-</u>	<u>465,000</u>
Bladon Jets Holdings Ltd (parent company)		
Management charge from Bladon Jets Holdings Ltd	450,000	339,592
Expenses paid by Bladon Jets Holdings Ltd	9,432	159,056
Rent	26,000	22,500
Loans received	18,350,000	13,147,498
Loans repaid	2,078,750	924,710
Expenses paid by Bladon Jets (UK) Limited	13,872	22,343
	<u>18,350,000</u>	<u>13,147,498</u>

19 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 108 (2018: 84). Staff are not categorised.

The aggregate payroll costs of these persons were as follows:

	31 December	31 December
	2019	2018
	£	£
Director compensation loss of office	-	30,000
Wages and salaries	5,290,842	4,436,153
Bonuses	8,750	38,667
Social security costs	602,280	526,443
Pension contributions	158,585	105,199
	<u>6,060,457</u>	<u>5,136,462</u>

Bladon Jets (UK) Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2019)

20 Subsequent events

As a result of the Covid-19 global pandemic the board have had to adjust the business plan at group level to take account of the current climate and delayed production timetables but are confident with the support received from the major shareholder, the company has sufficient resources to continue its operations. The rapid development and fluidity of this situation precludes any prediction as its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The eventual impact on the global economy and markets will largely depend upon the scale and the duration of the outbreak. The business implemented existing business continuity plans to maintain activities. Production is due to restart later in 2020 and increase according in 2021 however, the directors continue to monitor this situation closely.