

A change of **power**





Ceres Power Holdings plc is a world leading developer of low cost, next generation fuel cell technology. Used in distributed energy products, our Steel Cells enable a change in the way homes and businesses generate their power, reducing energy costs, lowering CO₂ emissions, increasing efficiency and improving energy security and reliability.

Our aim is to create a fuel cell for the mass market. The Ceres Steel Cell operates on natural gas and is manufactured using conventional materials such as steel and standard processes developed for the solar industry, meaning that it can be mass-produced at an affordable price.

Our unique Ceres Steel Cell is a cost effective technology that is being validated by our OEM partners around the world to be at the heart of the next generation of power products.

For further details visit
www.cerespower.com



Strategic report

- 1 Highlights
- 2 Chairman's statement
- 4 Fuel cells: a change of power
- 6 Our technology
- 7 Steel cell applications
- 8 Business opportunity
- 10 Business model & strategy
- 12 Chief Executive's statement
- 18 Principal risks and uncertainties
- 20 Corporate social responsibility

Governance

- 22 Board of directors & senior management
- 24 Corporate governance
- 26 Directors' report

Financial statements

- 28 Independent auditor's report
- 29 Consolidated statement of comprehensive income
- 30 Consolidated statement of financial position
- 31 Consolidated cash flow statement
- 32 Consolidated statement of changes in equity
- 33 Notes to the consolidated financial statements
- 50 Company balance sheet
- 51 Notes to the company financial statements
- 55 Directors and advisors

Highlights

During the financial year

- Signed Joint Development Agreement with a global Japanese power system company
- Successful deployment of the technology at customer sites in Japan and South Korea meeting all test requirements
- Fundraising of £20 million in July 2014 and £18 million net cash and short-term investments at 30 June 2015 maintain the Group's financial strength
- Steel Cell power output improvement of 40% and efficiency increase to 47% of the technology – further validating the route to affordable fuel cell products
- Leadership team strengthened with the addition of Aidan Hughes as Non-Executive Director, and James Falla as Chief Operating Officer

After the year end

- Formal release of latest V3 cell technology to customers with degradation enabling 7 year product life
- Expansion of commercial team with Tony Cochrane appointed as Chief Commercial Officer based in North America and opening of South Korean office
- Successful completion of the first year of the Joint Development Agreement with global Japanese power system company



We have hit and surpassed key technical milestones, with the highlight being the release of the latest version of our cell and system technology to customers



Phil Caldwell
Chief Executive Officer



Chairman's statement



The Steel Cell technology is a relatively new and disruptive technology... that is proving itself repeatedly against the most demanding performance targets set by market leaders in the power sector



Alan Aubrey
Chairman



Over the past 12 months we have witnessed the ongoing evolution of the energy sector, marking the grand transition towards distributed generation and the world market for distributed generation is predicted to approximately double in the next eight years¹. Whilst the majority of this distributed generation currently comprises a variety of technologies – including renewables such as solar – fuel cells are increasingly becoming part of this energy mix as an enabling technology for renewables and allowing people to generate their own power cleanly and efficiently at the point of use. This shift away from the traditional business model of centralised power utilities is helping to bring fuel cells closer to commercialisation.

Driven by cost reduction through technology innovation, the stationary fuel cell market continues to grow with market revenues of US\$40 billion forecast by 2022². The fuel cell technologies that dominate this growth are commercially available in Asia and the US and run on widely available fuels such as Natural Gas, Biogas and LPG. As a result, these technologies are not held back by a lack of hydrogen infrastructure, as we have seen in automotive fuel cell applications. With infrastructure not a limiting factor for commercialisation and scale-up, widespread adoption of the Steel Cell technology is directly achievable as long as we continue to demonstrate we can hit the cost, lifetime and performance targets required by the world's leading power system companies.

The Steel Cell technology is a relatively new and disruptive technology compared to the established fuel cell offerings, but one that is proving itself repeatedly against the most demanding performance targets set by market leaders in the power sector. We have met all customer testing requirements at sites in Japan and South Korea and our latest V3 technology has been released to customers after extensive in-house validation beyond 10,000 hours of testing. We have also hit key technical milestones in our development roadmap showing considerable uplifts in efficiency and power density in early stage development. These achievements are key to ensuring we have the best overall economic offering for our customers and we intend to bring through some of these additional benefits in our V4 release next year.

Strategically, we have positioned Ceres as one of the few independent technology providers that is able to offer low cost solutions to a wide variety of players across different sectors and geographies for different product applications. This breadth and versatility enables the Company to benefit as the industry continues to consolidate and markets mature. We have the capability to support businesses operating at a range of different stages and speeds of development: whether they might be aspiring power system companies in need of reliable fuel cell technology

to play catch-up with existing players; or the established companies themselves, struggling to realise the performance and cost targets needed for a truly mass-market offering and so seeking next generation technology to transform existing products.

The latest development in the stack and system technology has been brought together in the Steel Gen platform, a 1kW class power only prototype comparable to the Japanese Ene-Farm products, which is compact, highly efficient and meets the most stringent of global emission standards. This will be released to customer programmes early next year.

We are continuing to expand the reach and scope of our technology and are developing a multi-kW system to operate at electrical efficiencies above 50%, as we intend to extend our offering beyond residential to the light-commercial and power only applications in response to prospective customer enquiries.

In terms of developing the talent base at the Company essential to future growth, we have further strengthened the team with the appointment of James Falla as Chief Operating Officer and more recently Tony Cochrane as Chief Commercial Officer. James joined Ceres after 15 years establishing operations in Asia for leading Tier 1 automotive companies. Tony joins us from Ballard Power Systems, with over 17 years' direct experience in the fuel cell sector, where he led the commercialisation of the stationary power business. We also welcomed Aidan Hughes as a Non-Executive Director who brings with him considerable experience of growing technology companies throughout his career and is a significant addition to the Board as Chair of the Audit Committee. The ability to attract colleagues of the quality and experience of Aidan, James and Tony shows the growing market appeal and reputation of Ceres in the industry under the leadership of Phil Caldwell as CEO.

I have been working with Phil now for two years and we have a great team in place. We have invested in the core technology and are demonstrating significant technical progress, both internally and on customer sites worldwide. Initial evaluations at some of our customer sites have taken longer than planned which has impacted commercial progress and therefore we have not seen the anticipated revenue growth in the year. However, as long as we continue to hit our key technical milestones it is no longer a case of 'if' this technology will come to market but just a matter of 'when'. As part of the exciting energy evolution rolling out across the globe we see Ceres now becoming established as one of the leading independent technology companies in this rapidly growing distributed generation sector.



Alan Aubrey
Chairman

6 October 2015

- 1 Global Distributed Generation Deployment Forecast, Navigant Research, 2014
- 2 Fuel Cells Annual Report 2014, Navigant Research

Fuel cells: a change of power

Energy in evolution

Energy is evolving. Increasingly and inevitably, the traditional model of centralised power generation is being disrupted, with a shift towards distributed generation being driven by cost, efficiency and security of supply.

Fuel cell technology is perfectly placed to be a prime enabler of this 'Grand Transition' in energy markets. By using existing gas infrastructure in the most efficient way to generate power at point-of-use, a fuel cell system can cut both consumption and cost, whilst improving reliability and resilience. The resulting consumer proposition is a 'power promise' of generation and supply that is more affordable, dependable and cleaner.

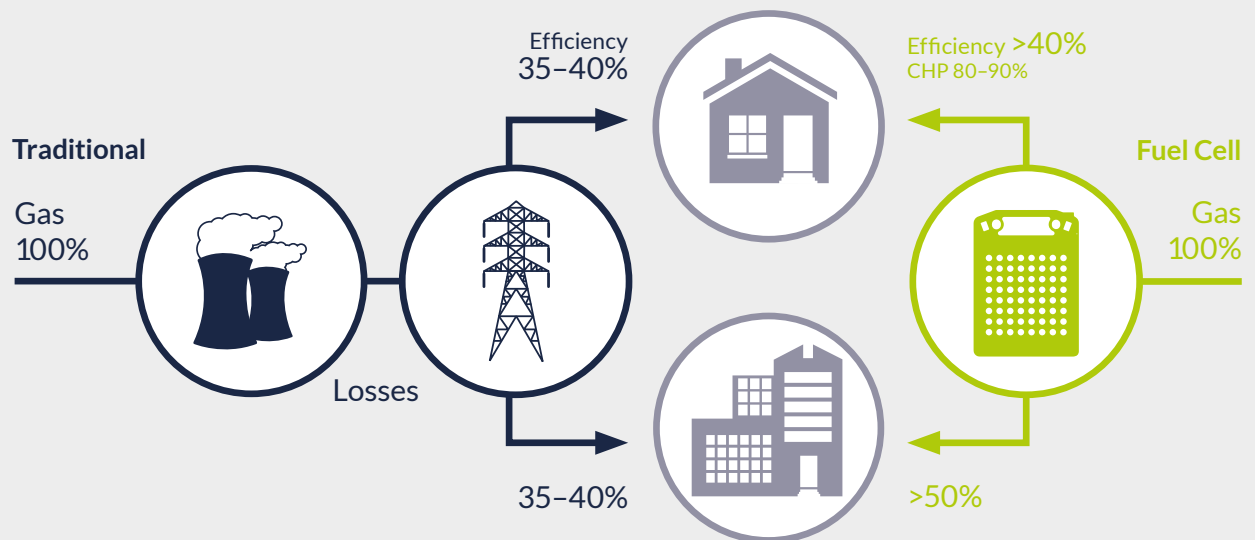
\$205bn

Investment in global distributed power forecast by 2020¹

90%

Overall efficiency of a fuel cell CHP system

Traditional centralised generation vs Distributed power generation



The future will be different, disrupted and distributed

Distributed generation is the global market flagged for growth by General Electric, with forecasts for a total investment of US\$205bn¹ by 2020. The shift is reinforced by leading utilities moving away from their traditional business models. E.ON recently split its business in two to focus on renewables and distributed generation. David Crane, CEO of US utility NRG, has been quoted as saying that his company is headed “down the path towards a distributed generation-centric, clean energy future”.

In the context of widespread change, three key benefits driving growth in market share for the fuel cell industry are that the technology is more affordable, dependable and cleaner than traditional alternatives.

1. Affordable: Higher efficiency cuts costs and consumption

By generating power at efficiencies of around 50% at the point of use with no transmission and distribution losses – and overall efficiency of 90% if operating as a Combined Heat and Power (CHP) system – fuel cells operate more reliably, efficiently and at lower cost than the grid.

Recent studies in the EU have shown that fuel cell CHP systems save 27% of a typical home's energy consumption, 30% of its CO₂ emissions and eliminate other pollutants such as NO_x almost entirely².

Distributed generation based on SOFC technology has a key role to play in meeting increased energy demands more cost effectively and quicker than expensive investment to replace traditional infrastructure³.

2. Dependable: Available and resilient

Although fuel cells are often associated with cars and hydrogen, stationary fuel cells do not need a hydrogen economy and can use existing robust gas infrastructure.

Japan and South Korea – which import 97% of their energy in the form of liquefied natural gas (LNG) – are the leading markets for fuel cell commercialisation, closely followed by the US as it reaches energy independence based on shale gas reserves.

In the US, unreliable power supply cost the economy US\$150bn in 2013⁴. In response, fuel cells are being installed in high-value markets such as data centres, which are contributing to the growth in energy demand and leading companies including eBay, Google and Apple are deploying fuel cells to ensure energy resilience and reduce costs.

3. Cleaner: Fit for a lower-carbon future

Fuel cell technology is widely recognised as the cleanest and most efficient way to generate power from natural gas.

In a CHP system the heat energy produced is used to heat water for washing or central heating, so the total amount of energy used is 90%, boosting efficiency, reducing consumption and cutting carbon.

Fuel cells can also help with the integration of intermittent renewables into the energy mix, by balancing power outputs to secure optimal and flexible low-carbon supply.

- 1 General Electric (GE US-NC).
- 2 FCH JU – Fuel Cell Distributed Generation Commercialisation Study published by Roland Berger, 2014.
- 3 Pacific Northwest National Laboratory, US Department of Energy, December 2014.
- 4 Fuel Cell Annual Review 2014, 4th Energy Wave.

Our technology



The Steel Cell enables mass market adoption of fuel cells... and offers customers a low cost solution

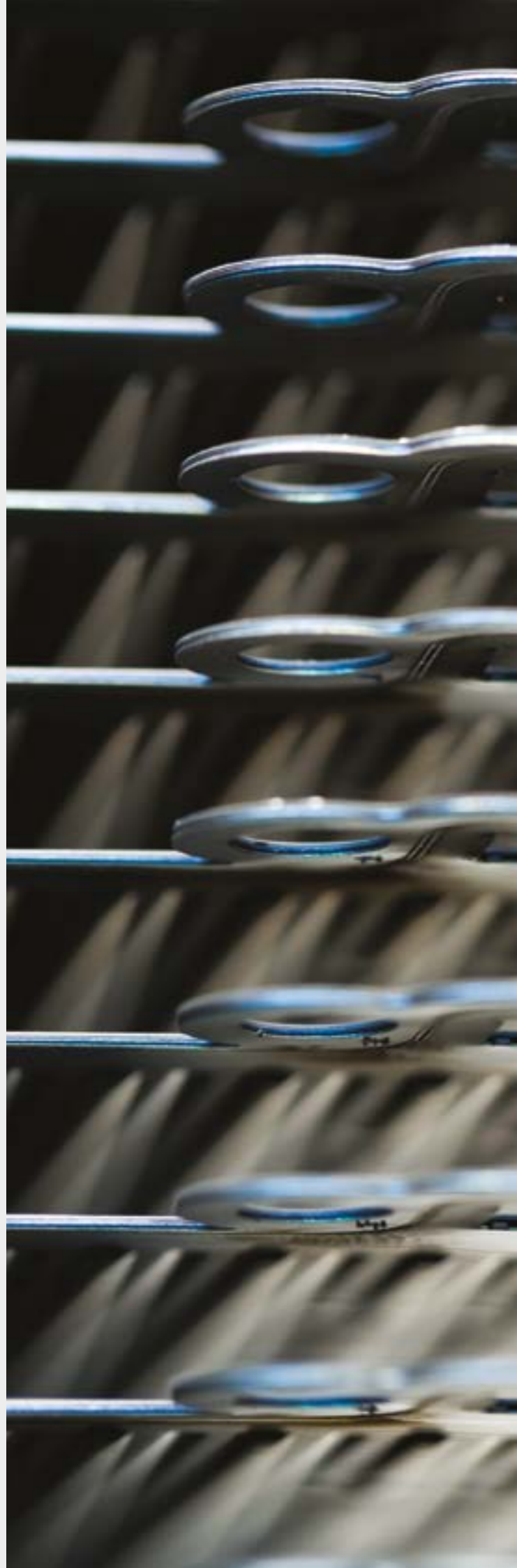


Our aim is to produce a fuel cell for every home and business and we are making this vision a reality with our unique Steel Cell technology.

The Ceres Steel Cell is one of the most cost effective, robust and energy efficient fuel cell technologies developed.

In the simplest terms it is a perforated sheet of steel with a special ceramic layer that converts fuel directly into electrical power in a very efficient way.

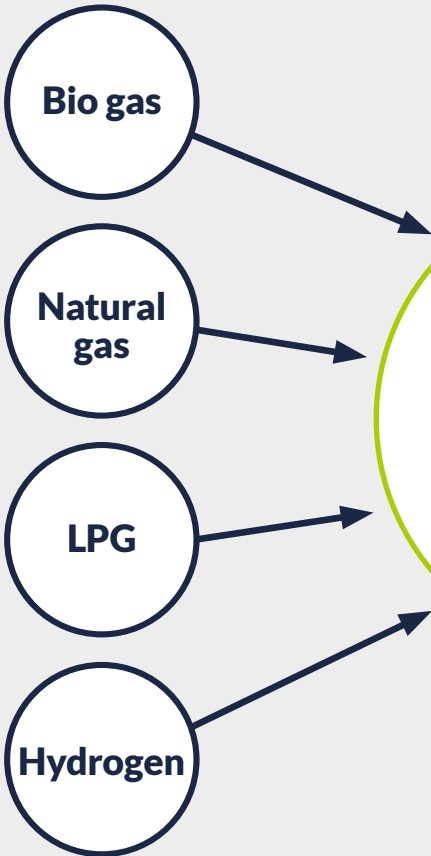
Our patented next generation Steel Cell technology uses the existing infrastructure of mains natural gas and is manufactured using commodity materials such as steel and standard processes, meaning that it can be mass produced at an affordable price for domestic, business and other uses.



Steel cell applications

The Steel Cell is the building block of future products for our global OEM partners: its cutting-edge technology will secure them competitive advantage; its performance opens up different power applications in multiple markets.

Fuel flexibility



Applications



To find out more about the Ceres Steel Cell technology watch our film at: <http://www.cerespower.com/technology/why-the-steel-cell-is-unique>

Business opportunity

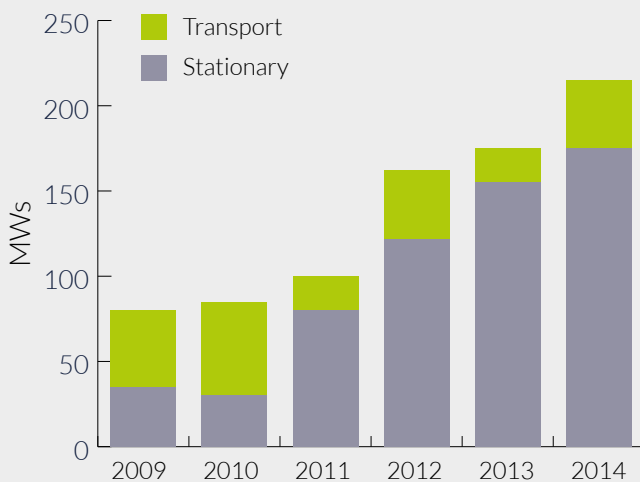
A rapidly maturing market

Two principal drivers of business opportunity can be identified for fuel cells in a rapidly maturing market. The first is a global investment megatrend: billions of dollars spent over the last decade by some of the world's largest companies have successfully brought to market the first wave of fuel-cell products, supported by government policy and subsidies in regions such as Japan, South Korea and the US.

With these companies now seeking the next generation of technologies for mass-market adoption, the second key change agent can be described in just one word: Cost. From an investor's perspective cost reduction through technology innovation is now moving fuel cells closer to commercialisation, as is the shift towards more distributed and decentralised generation. Comparatively, at 50MWs cumulative installed capacity, both PEM and Solid Oxide Fuel Cells (SOFC) registered a cheaper price point than either solar or wind achieved at the same stage in their development cycles¹.

Global revenue for stationary fuel cells is set to grow exponentially from US\$1.4bn in 2013, to US\$40bn by 2022². With these global investment and cost drivers in play, there is now traction across different applications, enabling Ceres to take advantage of wider sector opportunities across multiple geographies, capitalising on advances in its affordable subsidy-free next generation technology.

Global fuel cell shipments 2009 - 2014 (MWs)¹



Current market

104,900

Fuel cell systems shipped 2014¹

49%

CAGR 2009-2014¹

\$1.4bn

Market size in 2013²

\$1bn

Private investment in 2014 including IPOs¹

1GW

Installed since 1995¹

The business opportunity for fuel cells

Last year, the fuel cell industry shipped a total of 104,900 systems worldwide. In terms of output, 2014 saw 221.8MW shipped, which represented an increase of 40MW over 2013¹. Significantly, stationary fuel cells accounted for an impressive 81% of the total shipped, further consolidating their position as being closest to commercial viability and adoption.

Geographic initiatives:

- Japan:** The country remains at the forefront of fuel cell policy and adoption. By the end of 2014, fuel cell micro-CHP units installed in Japanese homes numbered 138,000. The Government 2014 Roadmap for long-term market development has set a target of 1.4 million homes to be powered by fuel cells by 2020 and 5.3 million by 2030. There is also a government target to have commercial SOFC ready for industrial use by 2017.

- South Korea:** South Korea will take the largest share of the US\$1bn market for stationary fuel cells this year and its market is forecast to reach US\$15bn by 2022³. The country's biggest steel company has opened the world's largest fuel cell park with a 54MW facility running on natural gas. Further parks are proposed, including 230MW for the Seoul region.

- United States:** Confidence in fuel cells is growing as a result of a combination of factors including regulatory requirements, resilience planning, advances in technology and successful deployment by the likes of eBay, Apple and Google. Inward investment into US fuel cell businesses by the likes of LG, Doosan and POSCO has also boosted market growth and long-term outlook.

- Europe:** European support for fuel cells is stronger now than for some time. Approval of phase two of the European Commission's Fuel Cells and Hydrogen Joint Undertaking (FCH 2 JU) has confirmed a budget of €1.33bn for 2014-2020, a 45% increase on its predecessor. Germany is embracing the technology to secure low-carbon flexible energy supplies to balance power outputs from its renewable energy portfolio.

Market forecast

1.5m

Fuel cell systems to be shipped by 2023²

+42%

CAGR 2014-2022³

\$40bn

Stationary fuel cells market size in 2022²

\$57bn

Revenue from all fuel cell systems in 2023²

1GW

To be installed 2015-2017¹

1 Fuel Cell Annual Review 2015, 4th Energy Wave.

2 Fuel Cells Annual Report 2014, Navigant Research.

3 Stationary Fuel Cells: Global Market Analysis and Forecasts, 2014, Navigant Research.

Business model & strategy

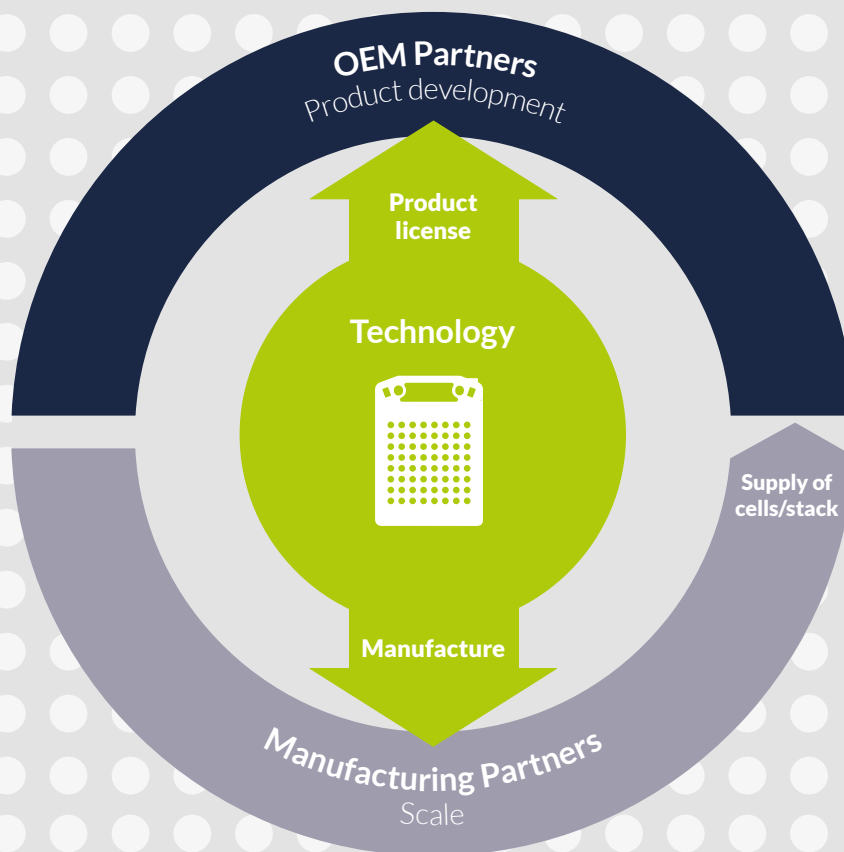
Working with our partners

At Ceres Power we offer our partners the opportunity to develop power systems and products using our unique Steel Cell technology.

Ceres is currently working with major OEMs worldwide who are evaluating the Steel Cell and have begun development using the technology for different applications across a variety of markets.

We provide access to our considerable Intellectual Property (IP) and expertise at the cell, stack and systems levels, combined with the opportunity to supply the Steel Cell in volume through our manufacturing partners.

In return, we benefit from our partners' expertise to design, develop and commercialise products, which will allow us to scale the business opportunity both geographically and by product application.



Our offering

We are one of the largest and most experienced independent fuel cell companies and are able to offer our partners support globally in the following areas:

Engineering and technology services

We can support businesses at different stages of development. For aspiring power system companies playing catch up or established players who cannot meet the cost and performance targets for truly mass market products, we can provide technology access and engineering support services for a variety of power applications.

Technology access to our IP

The Steel Cell technology and supporting system architecture is highly differentiated, disruptive and protected. We have a growing IP portfolio, with 42 patent families (up from 39 last year) and, as a technology company, generating and exploiting our IP is at the core of what we do. We can offer our partners the ability to access this considerable IP and know how under license.

Stage 1. Evaluation

Extensive tests are carried out in the UK and on customer sites under strict 'black box' conditions – testing without access to our core IP – typically a 6 to 12 month process.

Stage 2. Development

Working with OEMs we develop systems for Steel Cell applications. This tends to be multi-year activity for which we provide considerable engineering support and know-how.

Stage 3. Commercialisation

At the point at which the customer goes into commercial product development the IP can be transferred under a licence agreement, giving the OEM rights for a particular application and region. An upfront fee covers the initial transfer of rights with ongoing royalties on product sales. Supply of the Steel Cell technology is through our approved manufacturing partners.

Manufacturing capability

We manufacture the Steel Cell through the unique combination of putting ceramics on steel, in a low cost and highly scalable process. We continuously develop our manufacturing processes in the UK to enable scale-up of the Steel Cell supply through regional manufacturing partners.

Investment opportunity

Ceres Power is well positioned to benefit from the growing demand for cleaner distributed generation that is transforming the energy sector.

- Fuel cells are a proven enabler of distributed generation but have been held back by high cost and lack of available infrastructure
- Steel Cell is highly differentiated, low cost subsidy-free fuel cell technology which uses the existing infrastructure and widely available fuels such as natural gas
- Ceres has a growing reputation and maturity with customers globally, demonstrating market leadership in robustness and cost
- Our business model is scalable through the common building block of the Steel Cell technology, applicable to many mass markets applications, across multiple geographies
- Each of these target markets applications have the potential to be very significant
- The licensing and royalty model is flexible, scalable and potentially highly profitable
- Ceres is financially well backed, giving strength and credibility as a leading independent technology company

Chief Executive's statement



We have reached a point now in the technology's maturity where we are able to engage with more customers globally... in response to increasing interest in the Steel Cell for a variety of applications



It has been an exciting year for us as well as a demanding one, working with some of the world's best companies in Japan and South Korea, which set extremely high standards for the performance of fuel cell technology. As the energy sector evolves and the distributed generation market matures, we have continued to invest in process and technical innovation in pursuit of our commercial aspirations, building the necessary capability, capacity and competence to compete on the global stage. It is only in doing so that we can meet the ambition we have for Ceres in establishing the Steel Cell as the standard for Solid Oxide Fuel Cell (SOFC) technology in the industry.

The market opportunity for our Steel Cell technology is greater than ever as we see significant deployment of fuel cells in our primary target markets in Japan, South Korea and the US. The Steel Cell enables mass market adoption of fuel cells as it provides all of the performance of the established older generation fuel cells in the industry, but with a unique robustness to cycling and offers customers a low cost solution that can be manufactured using standard techniques and commodity materials. The ability to manufacture ceramics on steel is unique to Ceres in the industry and key to our licensing strategy.

We therefore find ourselves exclusively positioned in having a disruptive low cost next generation Steel Cell technology, which is available to all power system companies in the sector. This allows us to embed the technology into as many applications and geographies as possible with the common building block of the Steel Cell at the core of future power systems.

Whilst we continue to demonstrate the low cost potential to existing partners for the residential market, we have also made significant technical progress over the past year which will enable us to widen the applicability of this technology to higher-power systems for the light-commercial and power only sectors, broadening our target markets and ultimately the value we can create for our shareholders.

Phil Caldwell
Chief Executive Officer



Commercial

Over the past year we have focused on two areas in our customer engagements: firstly demonstrating that this relatively new and disruptive technology is mature enough for commercialisation by leading power system companies; secondly, that it has the potential to increase both in efficiency and power density to enable its application to other product applications beyond our residential platform.

We have reached a point now in the technology's maturity where we are able to engage with more customers globally, across a range of geographies, in response to increasing interest in the Steel Cell for a variety of applications.

In order to best realise this market potential we are investing in our commercial team globally and I am pleased to welcome Tony Cochrane to the business as Chief Commercial Officer. Brought in to spearhead our commercial activities, Tony has considerable experience in the fuel cell sector from his time in Ballard Power Systems, where he led the commercialisation of their Stationary Power business. Tony is based in North America, further boosting access to this market segment.

Expanding our presence and platform in Asia and building on the progress made through our local office in Japan, we recently opened an office in Seoul, South Korea. Forecast as having revenue potential of US\$15bn alone by 2022¹, South Korea is a key target market for us, both to support our existing business relationships and to address further opportunities there.

Progress on partnerships

Working to the highest customer standards, we have seen successful deployment this year of our technology across several different markets, such that in Japan, South Korea and the UK, we have met all of the technical requirements set for the technology to date.

In Japan: In October last year, we announced a Joint Development with a leading Japanese power system company and I am pleased to say we have met all our objectives after two years of working together and we expect to broaden this relationship in the near future.

We are also progressing further evaluations with several other Japanese companies for both residential and light-commercial applications and we have a healthy pipeline of new opportunities.

In South Korea: We successfully completed all testing at KD Navien's (KDN) facility in Seoul, under the Technology Assessment Agreement, including aggressive accelerated testing for cycleability and steady state running. At KDN's request we have provided an additional system to provide parallel testing for both steady state and cycleability, as extended validation.

In the UK: IE CHP (a joint venture between SSE and Intelligent Energy) completed system testing of the technology in a simulated typical UK home environment, demonstrating the potential benefits for a UK customer. We expect to undergo further assessments of the technology in the UK this year.

¹ Stationary Fuel Cells: Global Market Analysis and Forecasts, 2014, Navigant Research.

Chief Executive's statement continued

Overall, I am satisfied with the commercial progress this year, even though this has not translated into revenue growth yet, as some of our customer evaluations have extended longer than anticipated. In the coming year, I expect we shall see an increasing number of these pipeline opportunities come through as new commercial relationships, in addition to the continued progress shown with our existing partners.

Technology

Internal and external validation of our technology has been a key focus over the past year. It is important to our customers that we can evidence lifetime and robustness equivalent to more established, early generation fuel cell technologies, while simultaneously demonstrating the significant uplift in performance and low cost of the Steel Cell. This has been a Company-wide effort and called for significant additional investment in our test and operations capability.

The technical progress we have made resulted in the recent release of our V3 technology to customers following extensive internal testing and validation proving durability and lifetime through accelerated and steady state testing. This validation included multiple stack testing over 10,000 hours achieving degradation rates equivalent to those required for product life of over 7 years and comparable to fuel cell competitors in Japan. Stack tests on earlier generations of the technology also surpassed 20,000 hours providing greater confidence in the long lifetime potential of the Steel Cell technology.

With robustness to cycling representing another key differentiator over conventional early generation SOFC, we have also completed aggressive accelerated testing (including redox and thermal cycling tests) equivalent to 10+ years of performance.

We are now working on our V4 release which is due to reach customers in 2016 and serves two primary purposes: preparing the technology for scale-up, as well as improving performance and reducing cost further.

In terms of performance, high electrical efficiency relative to other technologies, particularly at small scale, is a key driver for the adoption of SOFC technology. We have already demonstrated performance equivalent to the best available systems in Japan and aim to achieve over 50% net electrical efficiency in the next year.

Such performance not only enhances the already significant benefit to the residential consumer, but more importantly, widens the potential of the technology to other markets such as power-only and back-up power applications for the commercial and light-industrial business sectors.

The technology team has also been continuously improving the power output of the Steel Cell. We have shown power density improvements of 40% in the year and expect this to translate into lower-cost product offerings to customers in future releases of our technology.

At a system level we have also made great progress and expect to release the latest version of our prototype system architecture, the Steel Gen, which is fully compliant with all emission standards and probably the most compact SOFC system design available. This meets the key requirements to access the wider markets for installations in high-rise apartments in Asia.

In response to customer interest in higher-power products for light-commercial applications (such as the commercial market of 5-10kW power-only products), we have begun to develop multi-kW systems and I anticipate further progress in this area during the year.

All of the above improvements in performance, robustness and cost result in an improved economic payback for the end user, at an affordable price point and serve to strengthen our USP and competitive position.



Improvements in performance, robustness and cost result in an improved economic payback for the end user, at an affordable price point and serve to strengthen our USP and competitive position





We have already demonstrated performance equivalent to the best available systems in Japan and aim to achieve over 50% net electrical efficiency in the next year. Such performance ... widens the potential of the technology to other markets



Technology milestones

Hitting targets and delivering on objectives across all measures of performance, robustness and cost, in the past year we have successfully reached and passed multiple technology milestones.

Performance:

- Demonstrated 47% net electrical efficiency in a prototype CHP product, equivalent to the highest performance achieved by competing high-cost systems in Japan.
- Developing a system architecture 25% lighter and 25% more compact than our current design, which is fully compliant with global emissions standards.

Robustness:

- Released V3 technology to customers and over 10,000 hour steady state tests with extremely low degradation rates, equating to a greater than 7-year product life.
- Completed aggressive accelerated testing (including redox and thermal cycling tests) equivalent to 10+ years of performance.

Cost:

- V4 technology is on track for release in 2016 and serves two key purposes: as well as improving performance, it prepares the technology for scale-up and reduces cost
- Power density improvements of 40% shown at R&D stage are expected to translate to lower-cost products to customers in future releases of our technology. Our roadmap is to double power density by 2020, which will further reduce the overall stack and system cost.

Mark Selby
Chief Technology Officer



Chief Executive's statement continued

Operations and manufacturing

We are competing with – and in some instances looking to partner with – a number of the largest ceramics companies in the world, hence the quality and scalability of our manufacturing processes is key and represents a source of great commercial value. Accordingly, we continue to invest in our manufacturing processes in Horsham which are unique to Ceres and a valuable asset.

I am also very pleased to have strengthened our team with the recent addition of James Falla as Chief Operating Officer. James joins Ceres with a track record in establishing operations in Asia for leading Tier 1 automotive companies.

Significant progress has been made on production scale-up projects, designed to demonstrate and validate production processes suitable for high-volume fuel cell manufacture. These are on track for delivery early next year through the V4 programme.

A good example of progress is the development of a high-speed screen print line which has been procured and part funded with an Innovate UK grant. Print-cycle time will reduce from 30 seconds to just 3 seconds.

In an example of innovation driving down costs still further, the latest cell design release also incorporates a change to the electrolyte deposition from spraying to screen printing. This key technical advance serves to replace a cost-intensive process with a faster, more economical and controllable printing process.

Looking ahead, we are in discussions with several manufacturing partners to scale the business in line with OEM demand with a particular focus on Asia as a first market.

Financial

Ceres is well financed to deliver its business plan, having raised £19.6 million in equity, mostly from new investors at the start of the financial year, in an oversubscribed private placing. The Company ends the year with £18.2 million in cash and cash equivalents and short-term investments (2014: £7.7 million).

During the year equity free cash outflow (EFCF)¹ was £9.1 million (2014: £7.7 million). This planned increase was driven predominantly by the Company's investment in its people and technology development, as it increased its average number of employees from 72 to 96 and incurred recurring 'cash operating costs'² of £10.5 million (2014: £8.2 million). EFCF was also

influenced by additions to the Group's test and manufacturing infrastructure as it incurred £1.2 million capital expenditure (2014: £0.5 million).

The Company's commercial progress has not translated directly into the revenue streams that we expected in the year. As a result our underlying revenue³, which is primarily generated from customer evaluation and joint development agreements, and other operating income, fell in the year from £1.1 million to £0.9 million.

We continue to make use of available government grants, which remain flat at £0.6 million, while underlying revenue fell from £0.5 million to £0.3 million³. Overall revenue has declined to £0.3 million (2014: £1.2 million) as in 2014 the Group released £0.7 million of deferred revenue to the income statement due to the ending of a legacy agreement with Bord Gais Eirann.

An important form of funding to the business comes in the form of R&D tax credits. We received £1.2 million of tax credit relating to the prior year within the year (2014: £1.0 million) and we aim to increase this going forward in line with the R&D activity of the business.

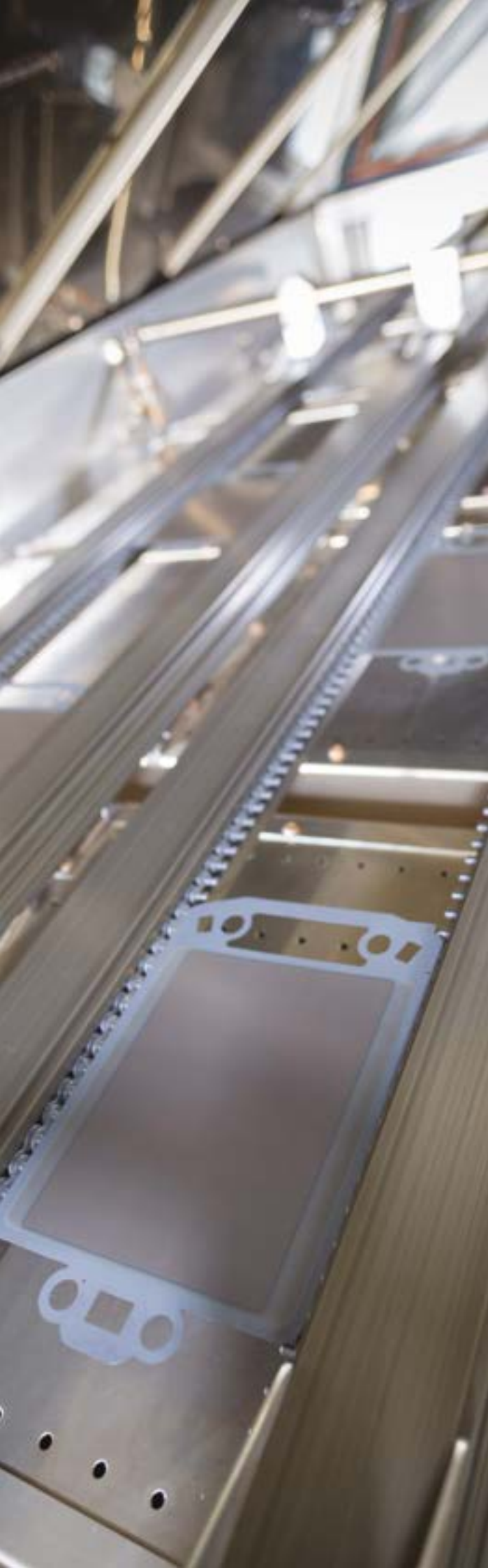
The Company's loss for the financial year rose from £7.4 million in 2014 to £10.0 million, in line with internal expectations as we have invested significantly in test, validation and engineering capability as we grow the business. As the weighted average number of shares in issue increased from 537 million to 753 million, the loss per ordinary share decreased from 1.38p to 1.33p.

Outlook

Over the past year we have deployed our technology in Japan, South Korea and the UK, completing all testing to date successfully, adding to our growing reputation in the industry.

This has required us to demonstrate considerable maturity as an organisation in order to compete with some of the world-leading ceramics companies and engage with global power systems players.

We have hit and surpassed key technical milestones, with the highlight being the release of the latest version of our cell and system technology to customers. In order to do this we have invested in manufacturing and test capabilities in Horsham and also significantly in key hires for the team, broadening and deepening our capabilities and competences.



Looking ahead I expect to convert a number of our evaluation initiatives into significant development programmes and increase the number of partners we have in all stages of engagement. We continue to build relationships with a focus on securing the right strategic partners and I expect to announce further progress in our key relationships in the near future.

In particular, we shall target securing partners for new applications outside of our traditional residential market and plan to demonstrate a multi-kW platform capability in the coming year which will open up new markets based on the common platform of the Steel Cell technology.

As a technology company we expect to continuously improve our technology in accordance with our roadmap. Over the coming year I expect to announce further improvements at both core technology and system level with a focus on increasing power and efficiency as we look to improve further the economic proposition to our customers.

I should like to thank the whole team at Ceres for their continued focus and hard work over the year, without which this progress would not have been possible. I believe we now have a great team in place and we are at a point where our investment in the core technology will come through into our customer programmes.

The Strategic Report, which includes the Chief Executive Officer's Statement, was approved by the Board of Directors on 6 October 2015 and signed on its behalf by:



Phil Caldwell
Chief Executive Officer

6 October 2015

- 1 Equity free cash flow (EFCF) is the net change in cash and cash equivalents in the year less net cash generated from financing activities less the movement in short-term investments.
- 2 Cash operating costs being operating costs less depreciation and share payments charge.
- 3 Underlying revenue is total revenue less the release of deferred revenue relating to historic agreements.

Principal risks and uncertainties

In addition to financial risk management which is detailed in note 14 to the financial statements, there are a number of risks and uncertainties which could have a material impact on the execution of the Group's strategy. Risks are formally reviewed by the Board and appropriate processes and controls put in place to monitor and mitigate them. Key business risks and mitigations in place are set out as follows:

Risk	Description	Mitigation	Change
Technology	<p>The risk is that we will not be able to successfully develop and apply the Company's fuel cell technology to potential products.</p> <p>The progress of the internal and customer validations of the technology has reduced this risk in the year.</p>	<p>Ceres' prime focus is to deliver its technology for customers, as well as to continually improve the technology to maintain technological advantage.</p>	
Intellectual Property protection	<p>The Group's competitive advantage is at risk from unauthorised parties using the Group's technology in their own products.</p> <p>This risk has risen as we increasingly share more of our technology with partners.</p>	<p>There are internal procedures and controls in place to capture and exploit all Intellectual Property ('IP') as well as to protect, prevent and control disclosure to third parties and partners.</p> <p>Contractual provisions with partners and IP insurance provides additional protection for the Group for agreement, pursuit and defence of IP.</p>	
Key personnel dependence	<p>There is a risk of disruption to operations and damage to the business due to key personnel leaving the business.</p>	<p>The Directors have put in place short-term incentive schemes and have granted share options to key personnel, which support their competitive remuneration packages and restrictive employment covenants already in place.</p>	

Risk	Description	Mitigation	Change
Operational	There is a risk that the Company's operations or its supply chain cannot manufacture to quality or to time or support delivery or validation of technology for customer or internal programmes.	We closely monitor our manufacturing processes and work with suppliers to ensure their delivery to our required quality.	
Commercial	There is a risk that our partners do not use our technology in their products or go slower than anticipated.	We are increasing our pipeline of potential customers and market applications mitigating the risk of individual customers who may not wish to move forward.	
Competitive and market	Technology obsolescence through alternative technologies from competitors, fuel prices, changing regulations and the development of markets all impact the Group's future profitability and growth opportunity.	Our strategy addresses different geographical markets and we are broadening the applications available, mitigating failure in a single market or product. We monitor competitor activity and market developments continuously.	
Access to capital	Even with its £20 million fundraise in the financial year, the Group is likely to be reliant on future equity funding to fully commercialise its technology.	The Group is targeting meeting its financing needs from a mix of customer revenue, grant funding, tax credits and equity funding, which may be sought from institutional, retail or strategic sources.	

Risk increased  Risk decreased  No change 

Corporate social responsibility

As a world-leading developer of low cost, next generation fuel cell technology, Ceres Power is passionate about its role in empowering people, in homes and businesses around the world, to take better control of their energy.

Employed in decentralised energy products, our Steel Cell technology enables people and businesses to transform the way they generate their power, cutting costs and CO₂ emissions, whilst simultaneously boosting efficiency, energy independence, resilience and reliability.

How can our fuel cells benefit society and the environment?

● Saving energy:

Studies show that fuel cell CHPs with their efficiency higher than the grid save 27% of a home's typical energy consumption¹.

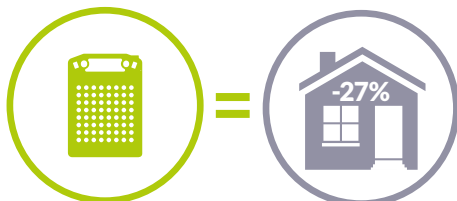
1 FCH-JU Fuel Cell Commercialisation Study, Roland Berger, 2014.

● Cutting carbon:

Domestic fuel cell CHP units trialed in London delivered 30% carbon cuts, with savings from every two homes equivalent to taking one car off the road³. Fuel cells in 5 million homes save the same CO₂ emissions every year as 10 Carbon Capture and Storage plants⁴.

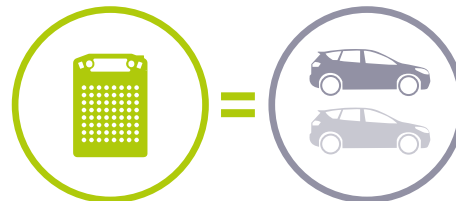
3 Hydrogen London – Mayor of London – January 2014.

4 Fuel Cells the Smart Power Revolution, published by Ecuty, August 2014.



Fuel cell CHPs higher efficiency than the grid

Reduced energy use



Domestic fuel cell CHP unit – 30% less carbon

Taking one car off the road

● Cutting pollution:

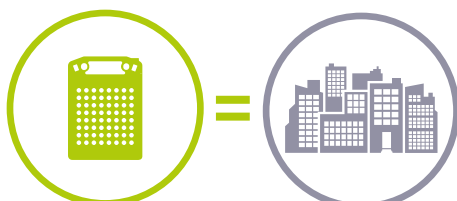
Fuel cells help bring SO_x and NO_x emissions down almost to zero, which has a big, beneficial impact on air quality in cities².

2 FCH-JU Fuel Cell Commercialisation Study, Roland Berger, 2014.

● Cutting costs:

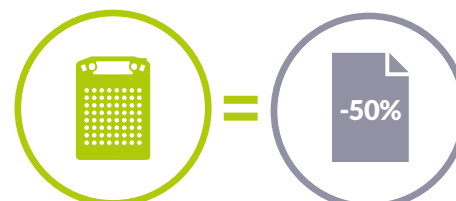
Adopting fuel cells in domestic CHP units could reduce people's energy bills by up to 50% a year⁵.

5 Hydrogen London – Mayor of London – January 2014.



Fuel cell CHPs lower emissions

Improved air quality in cities



Fuel cell CHPs in homes

Lower energy bills



Health & safety

Ceres Power remains committed to achieving and maintaining the highest standards in health and safety practice. We work positively and proactively to create an open culture towards the Health and Safety Executive and to engage all employees in helping maintain our excellent safety record. We invest in specialist roles and systems to support this process.

The Company is a member of the British Safety Council and we commission regular reviews of our health and safety arrangements, engaging independent external practice experts to ensure that we benefit from wider industry developments and the latest knowledge, in order to secure continuous improvement in this area.

Employee diversity, development and retention

The Group aims to recruit the best talent, acting as an equal opportunities employer at all times and ensuring that our staff remain safe from discrimination and harassment in the workplace. We invest in the training and development of our workforce to build the required skills to succeed as a business. Prioritising the needs and ambitions of our personnel, we invested around twice the national average per head on work-related training in 2014/15.

Anti-bribery and corruption

Ceres takes a zero-tolerance approach to bribery and corruption. The Company is committed to acting with integrity in all business dealings and relationships across all jurisdictions in which it operates. The Company and its Group endeavour at all times to comply with the requirements of the UK Bribery Act 2010 as amended. The Company has adopted a dedicated group-wide anti-bribery policy, which is regularly reviewed and updated.

Ethical standards

Ceres Power actively strives to achieve high ethical standards in all activities. We seek to ensure that our business partners apply similarly high standards.

Environmental and community awareness

Ceres complies with all relevant environmental laws and strives to implement best environmental practice and stewardship in all of its activities. Conscious of our carbon footprint, we actively support cycling and car sharing as well as promoting recycling in all areas of the business.

We seek to be a valued member of the community and consult locally on the possible impact of our operations, as well as informing the community on the type of employment opportunities we bring to the local area.

Board of directors & senior management team



Phil Caldwell
Chief Executive Officer

Phil joined the Company in September 2013 as CEO. He was previously Corporate Development Director at Intelligent Energy Limited, a company specialising in PEM fuel cell systems, where he led commercial and strategic business development activities, including securing OEM partners, executing license deals and joint ventures. Prior to joining Intelligent Energy, Phil was responsible for business development for the Electrochemical Technology Business within ICI. He has a Master's degree in Chemical Engineering from Imperial College, holds an MBA from IESE Barcelona and is a Chartered Engineer and Sainsbury Management Fellow.



Richard Preston
Chief Financial Officer

Richard joined Ceres Power in 2008 as Financial Controller, performing key finance and programme manager roles across the business. He was appointed to the Board in February 2013. Previously Richard held a number of senior roles in business transformation and project finance at Cable & Wireless. He is a Chartered Accountant and Corporate Treasurer and holds a Master's in Engineering and Management Studies from the University of Cambridge.



Mark Selby
Chief Technology Officer

Mark joined Ceres Power in 2006 and is responsible for leading all aspects of the strategy and delivery of the Steel Cell technology development. He was appointed to the Board in 2014 and prior to joining Ceres Power he was part of the Control & Electronics Department at Ricardo UK Limited. Mark has degrees in Electronics, Dynamics and Control Systems awarded by the University of Leeds.



James Falla
Chief Operating Officer

James joined Ceres Power in March 2015 and has over 20 years' experience in the automotive industry, holding senior operational, engineering and programme management positions. He has significant experience of establishing operations in Asia, with international experience in green field start ups, product launches and operational growth and restructuring. Prior to joining Ceres, James was an Executive Director at Air International in Shanghai. Previous roles include ASEAN Operations Director for TRW Automotive and management positions for GKN Driveline. James is a Chartered Mechanical Engineer with a First Class BEng (Hons) from Bath University.



Tony Cochrane
Chief Commercial Officer

Tony joined Ceres Power in August 2015, bringing significant experience of working in the fuel cell industry in Asia, Europe and North America. Previously he was at Ballard Power Systems for 17 years, where he held several leadership positions in manufacturing, product engineering, technology strategy and strategic marketing. Most recently Tony was Commercial Director for Dantherm Power A/S, a Ballard subsidiary, and Director of Product Line Management at Ballard, where he built the stationary power business globally. Tony is a registered professional engineer and holds a BScE in Mechanical Engineering from Queen's University and an MBA from Cornell University.



Alan Aubrey

Chairman

Alan joined the Company in December 2012 as Chairman. He is the CEO of IP Group plc, a FTSE 250 company and leading global intellectual property commercialisation company. He is also Non-Executive Chairman of Proactis, an AIM-listed software company and a Non-Executive Director in a number of other leading technology companies. From 2008 to 2014, he was a Non-Executive Director of the Department for Business, Innovation & Skills (BIS). Previously Alan was a partner in KPMG where he specialised in providing advice to fast-growing technology businesses. He is a fellow of the Institute of Chartered Accountants of England and Wales. Alan holds a BA in Economics and an MBA.



Steve Callaghan

Senior Independent Director

Steve joined Ceres Power in December 2012 to lead the turnaround and strategy reset. He was appointed Senior Independent Director in March 2014. He is also Non-Executive Director at LUMATA Group Holdings, Chairman of Navtech Radar Ltd and CEO of CPP Group Plc. Prior to joining Ceres Steve held a number of senior executive and CEO positions in both public and private businesses over a period of 20 years. He has a degree in Electrical and Electronic Engineering from Cranfield University.



Mike Lloyd

Non-Executive Director

Mike joined Ceres Power in July 2012. He has more than forty years of experience in engineering, manufacturing and supply chain roles in the electrical machinery and power sectors. His senior leadership roles have included: President of Rolls Royce Gas Turbines Operations, Technical Director of GEC Large Machines and Managing Director of Alstom Transport. Mike is presently Chairman of Simworx and a Non-Executive Director of a number Energy Sector related companies. He has a BSc in Electrical Engineering, a PhD in Electrical Machines and is a Fellow of the Royal Academy of Engineering.



Robert Trezona

Non-Executive Director

Robert joined the Company in December 2012. He has worked in technology venture for many years, focusing on cleantech and materials opportunities. He is the cleantech lead at IP Group plc and provides sector expertise across IP Group's portfolio, as well as originating and managing investments in high-potential cleantech start-ups. Previously he was Head of Research and Development at the Carbon Trust, fuel cell team lead at Johnson Matthey and Ceres Power and strategy consultant for McKinsey and Company. He holds a PhD in Materials Science from the University of Cambridge.



Aidan Hughes

Non-Executive Director

Aidan joined Ceres Power in February 2015 as Non-Executive Director and Chairman of the Audit Committee. He has over 20 years of senior finance experience in a variety of listed companies, including as Finance Director at the Sage Group Plc from 1993 to 2000 and as a director of Communis Plc from 2001 to 2004. Since 2004 he has been Non-Executive Director of Dialog Semiconductors plc, where during his tenure Aidan chaired its Audit Committee. He is also an investor and adviser to a number of international private technology companies. Aidan is a Fellow of the Institute of Chartered Accountants in England and Wales.

Corporate governance

Principles of Corporate Governance

The Board of Directors recognises the importance of good corporate governance to enhance and protect shareholder value. As the Company's shares are registered on the Alternative Investment Market (AIM) of the London Stock Exchange, the Company is not required to report against the UK Corporate Governance Code published in September 2012 (the "Code"). However, the Board supports the principles contained in the Code and is committed to applying them, where they are appropriate, given the Company's size.

Furthermore, the Directors intend to take account of the requirements of the Corporate Governance Guidelines for Small and Mid-Size Quoted Companies of the Quoted Companies Alliance ("Guide") in future reporting periods to the extent that they consider it appropriate.

The following describes how the principles of the Code have been applied.

Ceres Power Holdings plc is subject to the UK City Code on Takeovers and Mergers.

Board of Directors

The Company holds regular Board meetings and the Board will be convened on an 'as required' basis to meet the demands of the Group. The Board maintains a formal schedule of matters specifically reserved for its decision which is updated regularly. The Directors have established an Audit Committee, a Remuneration Committee, a Technical and Operations Committee and a Nominations Committee with formally delegated rules and responsibilities. Each of these Committees meets on a regular basis as appropriate.

The Board comprises the Non-Executive Chairman, the Senior Independent Director, the Chief Executive Officer, Chief Finance Officer, the Chief Technology Officer and three Non-Executive Directors.

The Board considers that the Senior Independent Director and the Non-Executive Directors are all independent in character and judgement and meet the criteria for independence set out in the Code. It is the opinion of the Board that one of the Non-Executive Directors is independent although he represents a significant shareholder.

The Non-Executive Directors are considered by the Board to be independent of management and are free to exercise independence of judgement. They do not participate in any of the Company's pension schemes or bonus arrangements. They receive no other remuneration from the Company other than the Directors' fees and reimbursement of expenses.

The Company's articles of association require that all Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') following their initial appointment, and at each AGM one-third of the Directors shall retire by rotation and put themselves forward for re-election.

The Company maintains Directors' and Officers' liability insurance cover, the level of which is reviewed annually.

Board Committees

The terms of reference of the Board Committees are available on request from the Company Secretary.

1. Audit Committee

The Audit Committee currently comprises Aidan Hughes as Chairman, Steve Callaghan and Mike Lloyd. Meetings of the Committee are attended, at the invitation of the Committee, by the external auditor, the Chief Executive Officer and the Chief Financial Officer. The Committee meets with the external auditor on a regular basis without the Executive Directors being present.

The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties, and obtain any outside legal or other independent professional advice it requires at the Company's expense.

The Audit Committee determines and examines matters relating to the financial affairs of the Company and during its meetings it considers, amongst other items, the following:

- the integrity of the financial statements and other formal announcements relating to the Group's financial performance, the going concern status of the Group and judgements that are contained within the financial statements;
- the Group's internal control and risk management policies and systems (noting the Technical and Operations Committee's responsibility relating to technical and operational risks, below), and their effectiveness;
- the Group's whistle-blowing procedures to ensure that employees are able to raise concerns, in confidence, about possible wrong doing in financial reporting and other matters;
- the requirements for an internal audit function. The Audit Committee is satisfied that the Group does not currently require an internal audit function;
- the relationship with the external auditor, in particular satisfying itself as to the independence and effectiveness of the external auditor; and
- the policy on the engagement of the external auditor to supply non-audit services.

2. Technical and Operations Committee

The members of the Committee are Mike Lloyd as Chairman, Rob Trezona and Mark Selby, the Chief Technology Officer and James Falla, the Chief Operating Officer. The Committee advises the Board on issues and risks relating to the execution of the Group's technology and operational programmes.

3. Remuneration Committee

The members of the Committee are Steve Callaghan as Chairman, Alan Aubrey and Mike Lloyd. The Committee governs all aspects of the Executive Directors' and Chairman's remuneration and reward arrangements and advises on Group employee benefit structures.

It is recognised that it is not considered best practice for the Chairman to sit on the Remuneration Committee. The Board, however, takes the view that as the Chairman does not chair the Remuneration Committee, his participation will continue as the Committee gains the benefit of his external expertise and experience in areas which the Company considers important.

4. Nomination and Governance Committee

The members of the Committee are Alan Aubrey as Chairman, Mike Lloyd and Steve Callaghan. The Committee considers the composition of the Board and is responsible for reviewing the composition and structure of the Board and for identifying and recommending candidates for Executive and Non-Executive Director positions. It should be noted that the Chairman, whilst the Chair of the Nominations Committee, will not Chair the Nominations Committee in any dealings regarding the appointment of his successor.

Communication with shareholders

The Board is accountable to the Company's shareholders and as such it is critical for the Board to maintain effective communications with shareholders. The Company maintains an active dialogue with institutional shareholders through regular briefing meetings and formal presentations by the Executive Directors following the interim and preliminary financial results. During the year, the views of major shareholders are communicated to the Board and Senior Independent Director through briefings by the Company's brokers and face-to-face meetings with the Chairman. Press releases are issued throughout the year via the Regulatory News Service (RNS) and the Company maintains a website (www.cerespower.com) on which press releases, corporate presentations and its Annual Report are available to view.

The AGM, which the Directors attend, provides an opportunity for communication with all shareholders and the Board encourages shareholders to attend and welcomes their participation.

Internal controls

The Directors acknowledge their responsibility for establishing and maintaining the Group's systems of internal control. These are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal and external use.

The Group prepares detailed budgets and cash flow projections, which are approved annually by the Board and updated regularly throughout the year. Detailed management accounts and working capital cash flow projections are prepared on a monthly basis and compared to budgets and projections to identify any significant variances. The Board reviews, identifies, evaluates and manages the significant risks that face the Group. Any system of internal control can only provide reasonable, and not absolute, assurance that material financial irregularities will be detected or that risk of failure to achieve business objectives is eliminated. The Directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the systems of internal control operated effectively throughout the financial year and up to the date that the financial statements were signed.

Conflicts of interest

The Group has in place procedures for the disclosure and review of any conflicts or potential conflicts of interest which the Directors may have and for the authorisation of such conflicts by the Board. During the year there were no such conflicts of interest.

Directors' report

for the year ended 30 June 2015

The Directors present their report and the audited financial statements for the year ended 30 June 2015.

Principal activities

The Ceres Power Group is a world-leading developer of low cost, next generation fuel cell technology.

Review of business and future developments

A review of the Group's business, including events since the year end and an outlook for the future, are set out in detail in the Chairman's statement and the Chief Executive's statement on pages 2 to 17.

Results and dividends

The consolidated results of the Group for the year are set out in the Consolidated statement of comprehensive income on page 29.

The Directors do not recommend the payment of a dividend (2014: £nil).

Research and development

During the year, the Group incurred expenditure of £9,146,000 (2014: £7,138,000) on research and development, all of which was expensed to the Consolidated statement of comprehensive income. The Chief Executive's statement reports on progress during the year.

Charitable and political contributions

The Group made no charitable or political contributions during the year (2014: £nil).

Principal risks and uncertainties

In addition to financial risk management which is detailed in note 14 to the financial statements, there are a number of risks and uncertainties which could have a material impact on the execution of the Group's strategy which are laid out in the strategic report.

Directors

The Directors of the Company, who served during the year and up to the date of signing the financial statements unless otherwise stated, are as follows:

- Alan Aubrey (Non-Executive Chairman)
- Steve Callaghan (Senior Independent Director)
- Phil Caldwell (Chief Executive Officer)
- Richard Preston (Chief Financial Officer)
- Mark Selby (Chief Technology Officer) appointed 30 October 2014
- Mike Lloyd (Non-Executive Director)
- Robert Trezona (Non-Executive Director)
- Aidan Hughes (Non-Executive Director) appointed 9 February 2015

Directors' and Officers' liability insurance

The Company maintains liability insurance for its Directors and Officers as permitted by the Companies' Act 2006.

Substantial shareholders

The Company has been notified of the following holdings of 3% or more of the 772,537,841 ordinary shares of 1p each of the Company on 30 September 2015:

Investor	Number of 1p ordinary shares	Percentage
Richard Griffiths	179,849,022	23.28%
IP Group plc	179,558,822	23.24%
Lansdowne Partners	76,470,588	9.90%
Henderson Global Investors	63,179,231	8.18%
Sarasin & Partners LLP	41,018,332	5.31%

Policy and practice on payment of creditors

It is the Group's policy for all suppliers to agree payment terms in advance of the supply of goods and services and to adhere to those payment terms. Trade creditors of the Group at the year end as a proportion of amounts invoiced by suppliers during the year represent 34 days (2014: 34 days). Trade creditors of the Company at the year end as a proportion of amounts invoiced by suppliers during the year represent 19 days (2014: 39 days).

Corporate Governance

The Directors recognise the importance of good corporate governance. The principles of how the UK Corporate Governance Code 2012 has been applied are in the Corporate Governance section of this report and on the Company's website (www.cerespower.com).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Going concern

The Directors have a reasonable expectation that the Group and Company have adequate resources to progress their established strategy for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Directors' statement on disclosure of information to the auditor

So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

On the 8 May 2015 KPMG LLP were appointed as auditor pursuant to section 485 of the Companies Act 2006.

By order of the Board

Richard Preston
Chief Financial Officer

6 October 2015

Independent auditor's report

to the members of Ceres Power Holdings plc

We have audited the financial statements of Ceres Power Holdings plc for the year ended 30 June 2015 set out on pages 29 to 54. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Forest Gate
Brighton Road
Crawley, West Sussex
RH11 9PT
6 October 2015

Consolidated statement of comprehensive income

for the year ended 30 June 2015

	Note	2015 £'000	2014 £'000
Revenue	2	324	1,224
Cost of sales		(191)	(265)
Gross profit		133	959
Operating costs	3	(12,476)	(10,128)
Other operating income	3	621	581
Operating loss		(11,722)	(8,588)
Finance income	4	110	73
Loss before income tax	3	(11,612)	(8,515)
Income tax credit	7	1,571	1,122
Loss for the financial year and total comprehensive loss		(10,041)	(7,393)
Loss per £0.01 ordinary share expressed in pence per share:			
– basic and diluted	8	(1.33)p	(1.38)p

All activities relate to the Group's continuing operations and the loss for the financial year is fully attributable to the owners of the Parent.

The notes on pages 33 to 49 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	2,080	1,657
Other receivables	11	–	58
Total non-current assets		2,080	1,715
Current assets			
Trade and other receivables	11	982	1,219
Current tax receivable		1,519	1,166
Short-term investments	12	6,000	–
Cash and cash equivalents	12	12,184	7,699
Total current assets		20,685	10,084
Liabilities			
Current liabilities			
Trade and other payables	13	(1,708)	(1,143)
Provisions for other liabilities and charges	15	(305)	(242)
Total current liabilities		(2,013)	(1,385)
Net current assets		18,672	8,699
Non-current liabilities			
Accruals and deferred income	13	(1,121)	(1,175)
Provisions for other liabilities and charges	15	(950)	(1,166)
Total non-current liabilities		(2,071)	(2,341)
Net assets		18,681	8,073
Equity attributable to the owners of the Parent			
Share capital	16	7,725	5,369
Share premium account		90,120	72,907
Capital redemption reserve		3,449	3,449
Other reserve		7,463	7,463
Accumulated losses		(90,076)	(81,115)
Total equity		18,681	8,073

The notes on pages 33 to 49 are an integral part of these consolidated financial statements.

The financial statements on pages 29 to 49 were approved by the Board of Directors on 6 October 2015 and were signed on its behalf by:

Phil Caldwell
Chief Executive Officer

Richard Preston
Chief Financial Officer

Ceres Power Holdings plc
Registered Number: 5174075

Consolidated cash flow statement

for the year ended 30 June 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash used in operations	18	(9,182)	(8,252)
Income tax received		1,218	1,000
Net cash used in operating activities		(7,964)	(7,252)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,243)	(520)
Movement in short-term investments		(6,000)	6,207
Finance income received		110	75
Net cash (used in)/generated from investing activities		(7,133)	5,762
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		20,035	2
Net expenses from issuance of ordinary shares		(466)	-
Net cash generated from financing activities		19,569	2
Net increase/(decrease) in cash and cash equivalents		4,472	(1,488)
Exchange gains/(losses) on cash and cash equivalents		13	(43)
		4,485	(1,531)
Cash and cash equivalents at beginning of year		7,699	9,230
Cash and cash equivalents at end of year	12	12,184	7,699

Consolidated statement of changes in equity

for the year ended 30 June 2015

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Accumulated losses £'000	Total £'000
At 1 July 2013		8,817	72,906	-	7,463	(74,578)	14,608
Comprehensive income							
Loss for the financial year		-	-	-	-	(7,393)	(7,393)
Total comprehensive loss		-	-	-	-	(7,393)	(7,393)
Transactions with owners							
Issue of shares, net of costs	16	1	1	-	-	-	2
Cancellation of deferred shares, net of costs		(3,449)	-	3,449	-	-	-
Share-based payments charge	17	-	-	-	-	856	856
Total transactions with owners		(3,448)	1	3,449	-	856	858
At 30 June 2014		5,369	72,907	3,449	7,463	(81,115)	8,073
Comprehensive income							
Loss for the financial year		-	-	-	-	(10,041)	(10,041)
Total comprehensive loss		-	-	-	-	(10,041)	(10,041)
Transactions with owners							
Issue of shares, net of costs	16	2,356	17,213	-	-	-	19,569
Share-based payments charge	17	-	-	-	-	1,080	1,080
Total transactions with owners		2,356	17,213	-	-	1,080	20,649
At 30 June 2015		7,725	90,120	3,449	7,463	(90,076)	18,681

Notes to the consolidated financial statements

for the year ended 30 June 2015

1. Summary of significant accounting policies

The Company is incorporated and domiciled in the United Kingdom and is registered on AIM.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared on a going concern basis, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, the IFRS Interpretations Committee (IFRS-IC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has elected to prepare its entity financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and these are presented on pages 50 to 54.

The consolidated financial statements have been prepared on a historical cost basis except for certain items that have been measured at fair value as detailed in the individual accounting policies below.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Material estimates and assumptions are made in particular with regard to: providing for onerous leases and dilapidations; choosing the appropriate method with which to recognise grant income and evaluation and development related revenue (revenue is recognised over the evaluation and development phase of each contract based on the costs incurred ('percentage of completion'); and recognising R&D tax credits.

When arriving at these estimates and underlying assumptions the Directors considered factors such as advice from professional advisors and past experience of liaising with tax authorities.

The financial impact of changes to these assumptions is as follows: if the onerous leases were partially sublet or the revenue contracts were 10% less complete or if 10% less tax credit was received, then the impact would be immaterial.

Basis of consolidation

The consolidated financial statements of Ceres Power Holdings plc include the results of the Company and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for acquisitions and the cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial statements of Ceres Power Ltd have been consolidated under merger accounting rules. The financial statements of Ceres Intellectual Property Company Ltd and Ceres Power Intermediate Holdings Ltd have been consolidated under acquisition accounting rules.

Intra-Group transactions, profits, losses and balances are eliminated in full on consolidation.

Capital risk management

The Group's objectives, when managing capital, are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure. Total capital, which is the Group's primary source of funding, is calculated as 'Total equity' as shown in the consolidated statement of financial position. The Group protects its capital by eliminating/hedging treasury risks that could expose the Group to the risk of material loss of capital (refer to note 14).

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

1. Summary of significant accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes all expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred. The Directors annually consider the need to impair these assets.

Depreciation is calculated using the straight-line method to allocate the cost over the estimated useful economic lives as follows:

Leasehold improvements	Ten years or the lease term if shorter
Plant and machinery	Three to five years
Computer equipment	Three years
Fixtures and fittings	Three to ten years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets under construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use. The category is temporary, pending completion of the assets and their transfer to the appropriate and permanent category of property, plant and equipment. As such, no depreciation is charged on assets under construction.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, pooled money market funds and short-term deposits with an original maturity of less than or equal to three months, reduced by overdrafts to the extent that there is a right of offset against other cash balances.

Short-term investments

These include short-term bank deposits with original maturity greater than three months and less than or equal to twelve months.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently held at amortised cost less an allowance for any uncollectable amounts that are made when the full amount is no longer considered receivable. Actual bad debts are written off when identified. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Taxation

The tax credit represents the best estimate of tax due to the Group at the year end.

Deferred tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Share-based payments

The Group has a number of employee and executive share option and incentive schemes under which it makes equity-settled share-based payments. The fair value at the date of grant of equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The charge is then credited back to reserves.

Fair value is measured by use of the Black-Scholes and binomial models. The expected lives used in the models are based on the Directors' best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

1. Summary of significant accounting policies continued

Foreign currencies

The consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. Transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Exchange differences are included in the Consolidated Statement of Comprehensive Income.

Pension scheme arrangements

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The pension costs charged represent contributions paid by the Group to individual pension plans and are charged to the Consolidated Statement of Comprehensive Income as they become payable.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, other sales taxes and after eliminating sales within the Group. The revenue primarily consists amounts received or receivable under evaluation and development contracts which are recognised as revenue when earned, as calculated on a percentage of completion basis, based on costs incurred to date versus total estimated costs over the period that the related work is performed, subject to certainty of receipt of cash, or when any specific conditions in agreements have been met. If a loss is expected in respect of a contract, the entire loss is recognised immediately in the income statement. All direct costs relating to these evaluation and development contracts are recorded as cost of sales.

Government grants

Grants are recognised on a case-by-case basis. Revenue grants are recognised in the Consolidated Statement of Comprehensive Income as other operating income. Capital grants are recognised in property, plant and equipment against the assets to which they relate (and are fully disclosed in note 9 to the financial statements) and are credited to the Consolidated Statement of Comprehensive Income on a straight-line basis over the expected lives of the related assets as a reduction to depreciation expense. For grants with no technical milestones, and where recovery is reasonable, the grant is recognised on an accruals basis in order to match the associated expenditure with the grant. For grants with technical milestones, these grants are held on the balance sheet as deferred income and are recognised only when the relevant milestone has been achieved and the associated cash has been received.

Research and development expenditure

Research costs are expensed as incurred. Development expenditure is capitalised when it can be separately measured and its future recoverability can be reasonably regarded as assured. Following initial recognition, the related asset is amortised over the period of expected future sales with impairment reviews being carried out at least annually. The asset is carried at cost less any accumulated amortisation and impairment losses.

Research and development costs in the year include all related costs of the on-going enhancement of the Company's core technology and related systems. These costs include, but are not limited to, staff salaries and related costs, the direct cost of manufacturing cells and systems for R&D and the testing and analysis of the technology.

As the Group is still pursuing significant internal and customer development programmes, the above criteria and those set out in IAS 38, 'Intangible assets', have not been met, therefore the Group has not yet capitalised any development costs.

Non-recurring operating costs

Costs are recognised as non-recurring when they relate to a major restructuring of the Group's activities. These typically include employee termination payments, provisions for onerous leases and disposals of property, plant and equipment.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are amortised over the full lease term.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

1. Summary of significant accounting policies continued

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses forward foreign exchange contracts to hedge against foreign currency denominated purchase commitments. The use of financial derivatives is governed by the Group's treasury policy, as approved by the Board. The Group does not use derivative financial instruments for speculative purposes. Details of financial instruments are shown in note 14.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Statement of Comprehensive Income as they arise.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. Provisions have been made for future dilapidations costs on leased property and on onerous leases. These provisions are the Directors' best estimates as the actual costs and timing of future cash flows are dependent on future events and are updated periodically. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Details of the Group's provisions are set out in note 15.

Changes in accounting policy and disclosures

It is not expected that the implementation of any of the new standards or interpretations will have a significant impact on the Group's accounting or disclosures, with the exception of IFRS 15, 'Revenue from Contracts with Customers', which may impact on the timing of revenue being recognised in future periods.

2. Revenue and segmental information

For management purposes, the Group is organised into one operating segment, which is the development and commercialisation of its fuel cell technology.

The Group has adopted IFRS 8, 'Operating Segments'. IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. The Chief Operating Decision Maker has been identified as the Executive Management Team, comprising the Chief Executive Officer, the Chief Financial Officer, the Chief Technology Officer and the Chief Operating Officer. The Directors are of the opinion that under IFRS 8 the Group has only one operating segment, being the development and commercialisation of its fuel cell technology. The Executive Management Team assesses the performance of the operating segment on financial information which is measured and presented in a manner consistent with that in the financial statements.

Of the Group's revenue of £324,000, £59,000 was derived from Europe and £265,000 from Asia (2014 Group revenue was: £1,224,000, of which £738,000 was derived from Europe, £304,000 from Asia and the remaining from outside of Europe). All of the Group's non-current assets are located in the United Kingdom.

3. Loss before income tax

	2015 £'000	2014 £'000
Operating costs are split as follows:		
Research and development costs	9,146	7,138
Administrative expenses	3,330	2,990
	12,476	10,128
Loss before income tax is stated after charging/(crediting):		
Staff costs, including share-based payments charges (note 5)	6,392	4,953
Depreciation on property, plant and equipment (net of amortised grant contributions)	926	1,069
Operating lease rentals payable – property, plant and machinery	312	281
Other operating income – grant income	(621)	(581)
Repairs expenditure on property, plant and equipment	175	110
Net foreign exchange (gains)/losses	(13)	43
Services provided by the Group's auditor		
During the year the Group obtained the following services from the Group's auditor as detailed below:		
Fees payable to the Company's auditor for the audit of parent Company and consolidated financial statements	10	10
Fees payable to the Company's auditor for other services		
– the audit of the Company's subsidiaries	26	28
– other services relating to taxation	9	27
– other services	2	25
	47	90

4. Finance income

	2015 £'000	2014 £'000
Interest receivable on cash and short-term investments	110	73

5. Employees and Directors

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

	2015 Number	2014 Number
By activity:		
Servicing customers	4	4
Research and development	79	53
Administration	13	15
	96	72
	2015 £'000	2014 £'000
Staff costs (for the above persons) comprised:		
Wages and salaries, including compensation for loss of office	4,513	3,475
Social security costs	498	396
Other pension costs (note 6)	301	226
Share-based payments (note 17)	1,080	856
	6,392	4,953

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

5. Employees and Directors continued

	2015 £'000	2014 £'000
Directors' emoluments:		
Aggregate emoluments	576	458
Company contributions to defined contribution pension schemes	31	18
	607	476

	2015 £'000	2014 £'000
Highest paid Director:		
Aggregate emoluments	215	171
Company contributions to defined contribution pension schemes	15	9
	230	180

Three Directors (2014: Two Directors) have retirement benefits accruing under defined contribution pension schemes.

Directors' emoluments for the year ended 30 June 2015

	Salary/fee ⁸ £	Pension ⁷ £	Total £
Executive			
Phil Caldwell	215,000	15,000	230,000
Richard Preston	133,917	9,687	143,604
Mark Selby ⁵	91,917	6,133	98,050
Non-Executive			
Alan Aubrey	34,333	–	34,333
Steve Callaghan ²	29,725	–	29,725
Robert Trezona ⁴	29,500	–	29,500
Mike Lloyd	29,500	–	29,500
Aidan Hughes ⁶	11,731	–	11,731
	575,623	30,820	606,443

Directors' emoluments for the year ended 30 June 2014

	Salary/fee £	Pension ⁷ £	Total £
Executive			
Phil Caldwell ¹	171,250	8,814	180,064
Richard Preston	141,375	9,328	150,703
Non-Executive			
Alan Aubrey	15,000	–	15,000
Steve Callaghan ²	95,934	–	95,934
Mike Bretherton ³	3,981	–	3,981
Robert Trezona ⁴	15,000	–	15,000
Mike Lloyd	15,000	–	15,000
	457,540	18,142	475,682

1 Appointed to the Board on 2 September 2013.

2 Steve Callaghan was appointed to the Board on 18 December 2012. Fees totalling £nil (2014: £79,595) were paid to Steve Callaghan Services Limited, a company of which Steve Callaghan is a Director.

3 Resigned on 4 October 2013.

4 Appointed to the Board on 18 December 2012. His fees are paid to IP Group Ltd.

5 Appointed to the Board on 30 October 2014.

6 Appointed to the Board on 9 February 2015.

7 Pension contribution is based on 8% of gross salary and employer's National Insurance saved on employee pension contributions.

8 Includes any benefits in kind.

5. Employees and Directors continued

Directors' interests in share options

	At 1 July 2014 number	Granted number	Lapsed/ Surrendered number	At 30 June 2015 number	Exercise price	Exercise period
Phil Caldwell						
Options (unapproved)	2,000,000	-	-	2,000,000	£0.085	September 2014 - November 2023
Options (unapproved)	2,000,000	-	-	2,000,000	£0.085	September 2015 - November 2023
Options ¹	2,000,000	-	-	2,000,000	£0.085	November 2016 - November 2023
Options ¹	2,000,000	-	-	2,000,000	£0.085	November 2017 - November 2023
Options ¹	2,000,000	-	-	2,000,000	£0.085	November 2018 - November 2023
Options ¹	2,000,000	-	-	2,000,000	£0.085	November 2019 - November 2023
Sharesave options (approved)	143,312	-	-	143,312	£0.060	February - July 2017
Options (unapproved)	-	1,000,000	-	1,000,000	£0.085	July 2017 - July 2024
Options (unapproved)	-	1,000,000	-	1,000,000	£0.085	July 2018 - July 2024
Options (unapproved)	-	1,000,000	-	1,000,000	£0.085	July 2019 - July 2024
Options (unapproved)	-	1,000,000	-	1,000,000	£0.085	July 2020 - July 2024
	12,143,312	4,000,000	-	16,143,312		
Richard Preston						
Options (approved)	400,000	-	-	400,000	£0.010	January 2016 - January 2023
Options (approved)	400,000	-	-	400,000	£0.010	January 2017 - January 2023
Options (approved)	400,000	-	-	400,000	£0.010	January 2018 - January 2023
Options (approved)	400,000	-	-	400,000	£0.010	January 2019 - January 2023
Options (unapproved)	375,000	-	-	375,000	£0.099	April 2016 - April 2023
Options (unapproved)	375,000	-	-	375,000	£0.099	April 2017 - April 2023
Options (unapproved)	375,000	-	-	375,000	£0.099	April 2018 - April 2023
Options (unapproved)	375,000	-	-	375,000	£0.099	April 2019 - April 2023
Sharesave options (approved)	143,312	-	(143,312)	-	£0.060	February - July 2017
Options (unapproved)	-	375,000	-	375,000	£0.085	July 2017 - July 2024
Options (unapproved)	-	375,000	-	375,000	£0.085	July 2018 - July 2024
Options (unapproved)	-	375,000	-	375,000	£0.085	July 2019 - July 2024
Options (unapproved)	-	375,000	-	375,000	£0.085	July 2020 - July 2024
Sharesave options (approved)	-	165,441	-	165,441	£0.054	February - July 2018
	3,243,312	1,665,441	(143,312)	4,765,441		
Mark Selby						
Options (approved)	400,000	-	-	400,000	£0.010	January 2016 - January 2023
Options (approved)	400,000	-	-	400,000	£0.010	January 2017 - January 2023
Options (approved)	400,000	-	-	400,000	£0.010	January 2018 - January 2023
Options (approved)	400,000	-	-	400,000	£0.010	January 2019 - January 2023
Options (unapproved)	90,000	-	-	90,000	£0.085	September 2016 - September 2023
Options (unapproved)	90,000	-	-	90,000	£0.085	September 2017 - September 2023
Options (unapproved)	90,000	-	-	90,000	£0.085	September 2018 - September 2023
Options (unapproved)	90,000	-	-	90,000	£0.085	September 2019 - September 2023
Sharesave options (approved)	143,312	-	(143,312)	-	£0.060	February - July 2017
Options (unapproved)	-	375,000	-	375,000	£0.085	August 2017 - August 2024
Options (unapproved)	-	375,000	-	375,000	£0.085	August 2018 - August 2024
Options (unapproved)	-	375,000	-	375,000	£0.085	August 2019 - August 2024
Options (unapproved)	-	375,000	-	375,000	£0.085	August 2020 - August 2024
Sharesave options (approved)	-	165,441	-	165,441	£0.054	February - July 2018
	2,103,312	1,665,441	(143,312)	3,625,441		
Steve Callaghan						
Options (unapproved)	1,500,000	-	-	1,500,000	£0.099	April 2016 - April 2023
	1,500,000	-	-	1,500,000		
Mike Lloyd						
Options (unapproved)	750,000	-	-	750,000	£0.010	December 2015 - December 2022
Options (unapproved)	170,000	-	-	170,000	£0.099	April 2016 - April 2023
	920,000	-	-	920,000		

1 A portion of these share options are EMI approved.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

5. Employees and Directors continued

Directors' interests in share options continued

All options outlined are fully exercisable at the Director's discretion during the relevant exercise period.

In addition during the prior year certain key employees and Directors who are option-holders under the 2004 share option scheme were awarded Employee Shareholder Status (ESS) shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd. The ESS shares were granted as a modification to the unexercised 2004 Employees' share scheme options providing the relevant employees with additional exercise rights. The modification has not changed the vesting period or exercise price. The total fair value charge of the options remains unchanged and the gross benefit received cannot exceed the gain realisable under the original share options and it cannot be received at an earlier time. As part of this, Phil Caldwell, Richard Preston and Mark Selby were awarded 8,932,516, 1,500,000 and 360,000 ESS shares respectively.

The Directors also had the following interests in shares in the Company as at the date of the signing of this annual report: Steve Callaghan: 3,605,650 shares; Mike Lloyd: 783,088 shares; Phil Caldwell: 117,646 shares; Richard Preston: 222,645 shares, Robert Trezona: 124,544 shares; and Mark Selby: 25,325 shares. Alan Aubrey held an interest in IP Group plc, the parent company of IP2IPO Limited, a substantial shareholder of the Company.

Key management compensation

The Directors are of the opinion that the key management of the Group were the Chief Executive Officer, the Chief Financial Officer, the Chief Technology Officer and the Chief Operating Officer. The key management compensation is summarised in the following table:

	2015 £'000	2014 £'000
Salaries and other short-term employment benefits	527	489
Post-employment benefits	37	24
Share-based payments	237	156
	801	669

6. Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension charge represents contributions payable by the Group to the funds and amounted to £301,000 (2014: £226,000). A total of £45,000 (2014: £34,000) was payable to the funds at the year end.

7. Income tax credit

	2015 £'000	2014 £'000
UK corporation tax – R&D tax credit	(1,519)	(1,000)
Adjustment in respect of prior periods – R&D tax credit	(52)	(122)
Income tax credit	(1,571)	(1,122)

No corporation tax liability has arisen during the year (2014: £nil) due to the losses incurred.

A tax credit has arisen as a result of the tax losses being surrendered in respect of research and development expenditure in the current and prior years.

7. Income tax credit continued

The tax result for the year is different from the standard rate of small profits UK corporation tax of 20% (2014: 20%). The differences are explained below:

	2015 £'000	2014 £'000
Loss before income tax	11,612	8,515
Loss before income tax multiplied by the UK tax rate of 20% (2014: 20%)	(2,322)	(1,703)
Effects of:		
Losses carried forward	894	529
Enhanced tax deductions for R&D expenditure	(1,377)	(910)
Expenses not deductible for tax purposes	205	170
Accelerated capital allowances and other timing differences	201	236
Adjustment in respect of prior periods – R&D tax credit	(52)	(122)
Difference between R&D tax credit and small company tax rates	880	678
Total income tax credit	(1,571)	(1,122)

8. Loss per share

Basic and diluted loss per £0.01 ordinary share of 1.33p for the financial year ended 30 June 2015 (2014: 1.38p) is calculated by dividing the loss for the financial year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Given the losses during the year, there is no dilution of losses per share in the year ended 30 June 2015 or in the previous year.

The loss for the financial year ended 30 June 2015 was £10,041,000 (2014: £7,393,000) and the weighted average number of £0.01 ordinary shares in issue during the year ended 30 June 2015 was 753,164,756 (2014: 536,831,883).

9. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost						
At 1 July 2013	1,465	6,696	1,073	138	6	9,378
Additions	205	186	9	–	145	545
Transfers	–	6	–	–	(6)	–
At 30 June 2014	1,670	6,888	1,082	138	145	9,923
Additions	51	1,298	–	–	–	1,349
Disposals	–	(1,756)	(355)	(69)	–	(2,180)
Transfers	–	145	–	–	(145)	–
At 30 June 2015	1,721	6,575	727	69	–	9,092
Accumulated depreciation						
At 1 July 2013	588	5,613	860	136	–	7,197
Charge for the year	278	756	129	2	–	1,165
Amortisation of grant contributions	(31)	(65)	–	–	–	(96)
At 30 June 2014	835	6,304	989	138	–	8,266
Charge for the year	335	570	67	–	–	972
Amortisation of grant contributions	(15)	(31)	–	–	–	(46)
Disposals	–	(1,756)	(355)	(69)	–	(2,180)
At 30 June 2015	1,155	5,087	701	69	–	7,012
Net book value						
At 30 June 2015	566	1,488	26	–	–	2,080
At 30 June 2014	835	584	93	–	145	1,657
At 30 June 2013	877	1,083	213	2	6	2,181

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

10. Subsidiary undertakings

Details of the Company's subsidiaries at 30 June 2015 are as follows:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Company
Ceres Power Limited	England and Wales	£0.01 ordinary shares	100% ¹
Ceres Intellectual Property Company Limited	England and Wales	£1.00 ordinary share	100% ¹
Ceres Power Intermediate Holdings Limited	England and Wales	£0.01 ordinary shares	100%

1 Ceres Power Ltd and Ceres Intellectual Property Company Ltd are 100% directly held by Ceres Power Intermediate Holdings Ltd.

The principal activity of Ceres Power Ltd is the development and commercialisation of the Group's fuel cell technology. The principal activity of Ceres Intellectual Property Company Ltd is the administration of registered intellectual property developed within the Group. The principal activity of Ceres Power Intermediate Holdings Ltd is as a holding company to the other Group companies and to manage the Group's cash, cash equivalents and short-term investments. The results of Ceres Power Ltd, Ceres Intellectual Property Company Ltd and Ceres Power Intermediate Holdings Ltd are included within these consolidated financial statements.

11. Trade and other receivables

	2015 £'000	2014 £'000
Current:		
Trade receivables	80	-
Other receivables	583	555
Prepayments	262	243
Accrued income	57	421
	982	1,219
Non-current:		
Prepayments	-	58
	-	58

There is no material difference between the fair value of other receivables and their carrying values and they are not overdue at 30 June 2015. There have been no provisions for impairment of receivables during the year (2014: £nil). The carrying amounts of the Group's trade and other receivables are all denominated in pounds sterling.

12. Cash and cash equivalents and short-term investments

	2015 £'000	2014 £'000
Cash at bank and in hand	1,135	982
Money market funds	11,049	6,717
Cash and cash equivalents	12,184	7,699
Short-term bank deposits greater than three months	6,000	-
	18,184	7,699

The Group holds surplus funds in accordance with the treasury policy, as set out in note 14.

	Interest rate type	2015 £'000	2015 £'000
Interest rate risk profile of the Group's financial assets:			
Cash at bank and in hand	Floating	1,135	982
Money market funds	Floating	11,049	6,717
Short-term bank deposits greater than three months	Fixed	6,000	-
		18,184	7,699

12. Cash and cash equivalents and short-term investments continued

The fixed rate short-term bank deposits in pounds sterling have terms of between three and 12 months and earn interest between 0.52% and 0.96% (2014: none). Floating rate cash deposits, money market funds and other bank deposits earned interest based on relevant UK LIBID-related equivalents. The credit quality of financial assets has been assessed by reference to external credit ratings.

13. Trade and other payables

	2015 £'000	2014 £'000
Current:		
Trade payables	526	327
Taxation and social security	161	124
Other payables	74	49
Accruals	943	643
Deferred income	4	-
	1,708	1,143
Non-current:		
Accruals	96	150
Deferred income	1,025	1,025
	1,121	1,175

The non-current deferred income balance at the year end of £1,025,000 (2014: £1,025,000) is in respect of a long-term customer development contract. When all development milestones are adequately concluded in respect of this contract the deferred revenue will be recognised in the statement of comprehensive income.

14. Financial instruments

The Group only uses derivative financial instruments to hedge foreign currency exposures arising from an underlying current or anticipated business requirement and not for any speculative purpose. The Group does not currently use derivative instruments to manage its interest rate risk. The Group does not trade in financial instruments.

Fair values of financial assets and financial liabilities

There is no difference between the fair value and the carrying value of the Group's financial assets and financial liabilities. Carrying value approximates to fair value because of the short maturity periods of these financial instruments.

Financial risk management

The Group's operations expose it to a variety of financial risks that include credit risk and market risk arising from changes to interest rates and foreign currency exchange rates. The Board reviews and agrees policies for managing each of these risks.

The principal risks addressed are as follows:

Credit risk

The Group's exposure to credit risk arises from holdings of cash and cash equivalents and short-term investments and if a customer fails to meet its contractual obligations. The Group's primary objective to manage credit risk from its holdings of cash and short-term investments is to minimise the risk of a loss of capital and eliminate loss of liquidity having a detrimental effect on the business.

The Group typically places surplus funds into pooled money market funds and bank deposits with durations of up to 12 months. The Group's treasury policy restricts investments in short-term sterling money market funds to those which carry short-term credit ratings of at least two of AAAm (Standard & Poor's), Aaa/MR1+ (Moody's) and AAA V1+ (Fitch) and deposits with banks with minimum long-term rating of A/A-/A3 and short-term rating of F-1/A-2/P-2 for banks which the UK Government holds less than 25% ordinary equity.

The Group's customers are generally large multi-national companies and are consequentially not considered to add significantly to the Group's credit risk exposure.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

14. Financial instruments continued

Financial risk management continued

Interest rate risk

Interest rate risk on the Group's liabilities is minimal.

The Group's finance income is sensitive to changes in interest rates. A change of 1% in interest rates would have impacted the finance income by £0.2 million in the year ended 30 June 2015 (2014: £0.1 million).

Liquidity risk

Cash flow forecasting is performed by the Group. This includes forecasting of the Group's liquidity requirements to ensure the Group has sufficient cash to meet its operational needs.

Foreign currency exposures

The Group seeks to minimise its exposure to fluctuations in exchange rates by taking out forward currency contracts to hedge against foreign currency denominated commitments, when known. At 30 June 2015, 100% (2014: 100%) of foreign currency commitments were either hedged by foreign currency contracts or covered by cash held. Fair value is based on the market price of comparable instruments at the balance sheet date.

The Group did not hold any forward currency contracts at the year end or prior year end.

None of the Group's assets and liabilities were measured at fair value at 30 June 2015 or 30 June 2014.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The table below shows the extent to which the Group has monetary assets and liabilities in currencies other than pounds sterling. Foreign exchange differences arising on the retranslation of these monetary assets and liabilities are taken to the Consolidated Statement of Comprehensive Income.

	2015 £'000	2014 £'000
Foreign currency monetary assets:		
United States Dollar	356	460
Norwegian Krone	30	21
Japanese Yen	85	18
Euro	122	9
	593	508

The Group has net Euro denominated trade payables of £37,000 (2014: £5,000), Norwegian Krone denominated trade payables of £16,000 (2014: £nil), Danish Krone denominated trade payables of £7,000 (2014: £nil) and US Dollar denominated trade payables of £29,000 (2014: £nil).

The functional currency of the Company is pounds sterling.

15. Provisions for other liabilities and charges

Property dilapidation and onerous lease provisions charged to the Consolidated Statement of Comprehensive Income are set out below:

Provisions for the year ended 30 June 2015

	Property dilapidations £'000	Onerous leases £'000	Total £'000
At 1 July 2014	657	751	1,408
Charged to the Consolidated Statement of Comprehensive Income	181	-	181
Utilised in the Consolidated Statement of Comprehensive Income	(82)	(252)	(334)
At 30 June 2015	756	499	1,255
Current	78	227	305
Non-Current	678	272	950
At 30 June 2015	756	499	1,255

The dilapidation provision recognised matches the present value of costs to be incurred, which is materially the same as the expected costs to be incurred, in making good the various leasehold properties at the end of their respective leases, details of which are in note 19. The onerous lease provision recognised provides for the full cost of the remaining life of the leases on properties that the Company expects to have no further use of.

Deferred taxation

Potential deferred tax assets have not been recognised but are set out below:

	2015 £'000	2014 £'000
Tax effect of temporary differences because of:		
Difference between capital allowances and depreciation	(1,727)	(1,616)
Deductions relating to share options	(362)	(363)
Losses carried forward	(10,204)	(9,322)
Pensions	-	(5)
	(12,293)	(11,306)

The deferred tax assets have not been recognised, as the Directors consider that it is unlikely that the asset will be realised in the foreseeable future.

16. Share capital

	2015		2014	
	Number	£'000	Number	£'000
Allotted and fully paid				
At 1 July	536,831,973	5,369	536,799,123	8,817
Allotted under share option schemes	-	-	32,850	1
Allotted on cash placing & open offer	235,705,868	2,356	-	-
Transfer to capital redemption reserve	-	-	- ¹	(3,449)
Ordinary shares of £0.01 each at 30 June	772,537,841	7,725	536,831,973	5,369

1 86,215,662 £0.04 deferred shares were cancelled in the year. These deferred shares were not included in the number of ordinary shares disclosed in this table.

During the year 235,705,868 ordinary £0.01 shares were issued for cash consideration of £20,035,000. In the prior period deferred shares of £0.04 each were cancelled with £3,448,626 being transferred to a capital redemption reserve and 32,850 ordinary shares of £0.01 each were issued on the exercise of employee share options for cash consideration of £1,642. No ordinary shares were issued on the exercise of employee share options during the year (2014: 2,235,838 ordinary shares of £0.01 each were issued on the exercise of employee share options for cash consideration of £31,792).

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

17. Share options

The total charge recognised in the year ended 30 June 2015 relating to employee share-based payments was £1,080,000 (2014: £856,000).

The Company has a number of share option schemes and savings-related share option plans for its employees and a separate scheme for Executive Directors.

	2015 £'000	2014 £'000
a) 2004 Employees' share option scheme	1,027	794
b) 2011 Sharesave scheme	-	38
b) 2014 Sharesave scheme	39	20
b) 2015 Sharesave scheme	14	-
c) Executive Directors' one-off award	-	4
	1,080	856

a) Ceres Power Holdings Limited 2004 Employees' share option scheme

The Company has issued share options under this scheme for Directors and employees, under which approved and unapproved share options were granted, prior to the flotation of the Company in November 2004 and in subsequent years. The Company adopted the 'Ceres Power Holdings Limited 2004 Employees' share option scheme' at the time of flotation.

Under this scheme, Directors and employees hold options to subscribe for £0.01 ordinary shares in Ceres Power Holdings plc at prices ranging from £0.01 to the closing mid-market price on the day preceding the most recent share option grant. All options are equity settled. The vesting period for all options is generally between three and six years. If the options remain unexercised after a period of ten years from the date of the grant, the options expire. Options are forfeited if the employee chooses to leave the Group before the options vest.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2015		2014	
	Number (^{'000})	Weighted average exercise price	Number (^{'000})	Weighted average exercise price
Outstanding at 1 July	62,887	£0.09	46,715	£0.11
Granted	19,950	£0.086	23,220	£0.083
Lapsed	(4,548)	£0.145	(7,048)	£0.25
Outstanding at 30 June	78,289	£0.09	62,887	£0.09
Exercisable	3,119	£0.88	1,463	£2.06

In 2014 the weighted average share price on the exercise date of options was £0.025.

The range of exercise prices for options outstanding at the end of the year is as follows:

Expiry date - 30 June	2015		2014	
	Weighted average exercise price	Number (^{'000})	Weighted average exercise price	Number (^{'000})
2015	-	-	£0.67	189
2016	£2.35	750	£1.89	1,012
2017	£2.22	365	£2.24	380
2018	-	-	£2.23	45
2019	£0.68	4	£0.82	37
2023	£0.02	36,035	£0.02	38,150
2024	£0.08	21,785	£0.08	23,074
2025	£0.09	19,350	-	-

The options outstanding at the end of the year have a weighted average contractual life of 8.13 years (2014: 8.68 years).

17. Share options continued**a) Ceres Power Holdings Limited 2004 Employees' share option scheme** continued

In addition during the prior year certain option-holders under the 2004 share option scheme were awarded Employee Shareholder Status (ESS) shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd. The ESS shares were granted as a modification to the unexercised 2004 Employees' share scheme options providing the relevant employees with additional exercise rights. The modification has not changed the vesting period or exercise price. The total fair value charge of the options remains unchanged and the gross benefit received cannot exceed the gain realisable under the original share options and it cannot be received at an earlier time.

b) Ceres Power Holdings Sharesave scheme

During the year, a fifth HMRC-approved savings-related share option scheme was implemented, under which employees save on a monthly basis, over a three-year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is set at a 20% discount to the market price. The options must be exercised within six months of maturity of the savings contract, otherwise they lapse.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2015		2014	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding at 1 July	3,131	£0.06	95	£0.47
Granted	2,222	£0.05	3,112	£0.06
Lapsed/cancelled	(1,114)	£0.07	(76)	£0.49
Outstanding at 30 June	4,239	£0.06	3,131	£0.06
Exercisable	–	–	19	£0.40

The weighted average fair value of options granted in the year was £0.05 (2014: £0.06).

The expiry dates of options outstanding at the end of the year are as follows:

	2015		2014	
	Actual and weighted average exercise price	Number ('000)	Actual and weighted average exercise price	Number ('000)
Expiry date – 30 June				
2015	–	–	£0.40	19
2018	£0.06	2,017	£0.06	3,112
2019	£0.05	2,222	–	–

The options outstanding at the end of the year have a weighted average contractual life of 2.61 years (2014: 3.07 years).

c) Executive Directors' one-off award

All 'one-off' options remain outstanding and unexercisable at 30 June 2015. No options were granted, exercised or lapsed in the year or the previous year.

The expiry dates of options outstanding at the end of the year are as follows:

	2015		2014	
	Weighted average exercise price	Number ('000)	Weighted average exercise price	Number ('000)
Expiry date – 30 June				
2018	£2.00	1,688	£2.00	1,688
2019	£2.00	213	£2.00	213

The options outstanding at the end of the year have a weighted average contractual life of 3.57 years (2014: 4.57 years).

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

17. Share options continued

c) Executive Directors' one-off award continued

Assumptions

Fair values of all schemes, apart from the Executive Directors' one-off award, which was measured using a binomial pricing model, were measured by use of the Black-Scholes pricing model. The inputs to the Black-Scholes model were as follows:

	2004 Scheme 2015	Sharesave scheme 2015	2004 Scheme 2014	Sharesave scheme 2014
Grant date	23 July 14 - 2 June 15	19 Dec 14	17 Sep 13 - 9 May 14	23 Dec 13
Share price at date of grant (£)	0.069-0.104	0.073	0.06-0.087	0.079
Exercise price (£)	0.069-0.102	0.054	0.06-0.087	0.063
Expected volatility (%)	56%	56%	62%	62%
Expected option life (years)	Up to 6 years	3.5 years	Up to 7 years	3.5 years
Average risk-free interest rate (%)	1.40%	1.0%	2.4%	2.4%
Expected dividend yield	Nil	Nil	Nil	Nil

The exercise prices of options are stated above. The expected life of the options is based on the best estimate of the average number of years expected from grant to exercise. The expected volatility is based on historical volatility of the Company's shares since the Company restructured in 2012. The risk-free rate of return is management's estimate of the yield on zero-coupon UK Government bonds of a term consistent with the expected option life.

18. Cash used in operations

	2015 £'000	2014 £'000
Loss before income tax	(11,612)	(8,515)
Adjustments for:		
Other finance income	(110)	(73)
Depreciation of property, plant and equipment (net of amortised grant contributions)	926	1,069
Share-based payments charge	1,080	856
Operating cash flows before movements in working capital	(9,716)	(6,663)
Decrease/(increase) in trade and other receivables	295	(773)
Increase/(decrease) in trade and other payables	392	(670)
(Decrease) in provisions	(153)	(146)
Decrease/(increase) in working capital	534	(1,589)
Cash used in operations	(9,182)	(8,252)

19. Operating lease commitments

The Group leases premises and office equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
No later than one year	478	11	462	20
Later than one year and no later than five years	682	2	1,121	15
	1,160	13	1,583	35

The property leases have an average minimum term of 2.3 years (2014: 3.3 years). The rentals are fixed for the lease terms subject to periodic rent reviews. The office equipment leases have an average term of 0.5 years (2014: 1.3 years).

20. Contingent liabilities

£705,000 (2014: £705,000) of government grants received, or an element thereof, may require repayment if the Group generates revenue (net of expenses and reasonable overheads) from the intellectual property created from the grant. In such case, the Group may be liable to pay back the grant at a rate of 5% of the net revenue generated in any one year. The Directors of the Group believe it is unlikely that any of the grants received will need to be repaid in the foreseeable future.

21. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £507,000 as at 30 June 2015 (2014: £544,000), in respect of the acquisition of property, plant and equipment.

22. Related party transactions

The Group's related parties are its Directors, Steve Callaghan Services Limited, Richard Griffiths who held 23.28% at 30 June 2015 (2014: 25.12%), and IP Group plc, through IP2IPO Limited, which held 23.24% of ordinary shares at 30 June 2015 (2014: 24.69%).

The transactions with Steve Callaghan Services Limited related to consultancy services and were £nil during the year (2014: £80,000). There was no outstanding balance due at 30 June 2015 (2014: £nil).

IP Group plc appointed Alan Aubrey as Chairman and Robert Trezona as a Non-Executive Director both of whom served throughout the year. Compensation paid to the Group's Directors is disclosed in note 5.

Transactions with IP Group plc during the year amounted to £92,000 (2014: £31,000) comprising primarily of recruitment services for £10,000 in relation to the recruitment of Aidan Hughes, Non-Executive Director, (2014: recruitment services for £16,000), fees in respect of the funds raised in the year £50,000 (2014: £nil), company secretarial £2,000 (2014: £nil) and non-executive director fees £30,000 (2014: £15,000). There was an outstanding balance due of £9,000 at 30 June 2015 (2014: £5,000). The outstanding balance with IP Group plc was due 30 days after the invoice date to be settled for cash. There were no other related party transactions in the year or the previous year.

Company balance sheet

as at 30 June 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments	3	45,586	37,398
Current assets			
Debtors: amounts falling due after more than one year	4	13,144	6,174
Debtors: amounts falling due within one year	4	22	54
Cash at bank and in hand		82	6,838
		13,248	13,066
Creditors: amounts falling due within one year	5	(117)	(135)
Net current assets		13,131	12,931
Total assets less current liabilities		58,717	50,329
Creditors: amounts falling due after more than one year	6	(10,670)	(9,971)
Net assets		48,047	40,358
Capital and reserves			
Called up share capital	8	7,725	5,369
Share premium account	9	90,120	72,907
Capital redemption reserve	9	3,449	3,449
Profit and loss account	9	(53,247)	(41,367)
Total shareholders' funds	10	48,047	40,358

The financial statements on pages 50 to 54 were approved by the Board of Directors on 6 October 2015 and were signed on its behalf by:

Phil Caldwell
Chief Executive Officer

Richard Preston
Chief Financial Officer

Ceres Power Holdings plc
Registered Number: 5174075

Notes to the company financial statements

for the year ended 30 June 2015

1. Accounting policies

These separate financial statements of the Company have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been reviewed by the Board of Directors in accordance with Financial Reporting Standard ("FRS") 18, 'Accounting policies', and which have been applied consistently except where noted, is set out below.

Fixed asset investments

The investment in Ceres Power Ltd was accounted for under merger accounting principles and was shown at the nominal value of shares issued as consideration for the undertaking less any amount written off to reflect a permanent diminution in value. The investment in Ceres Intellectual Property Company Ltd was stated at cost less any amount written off to reflect a permanent diminution in value. During the prior year both investments were transferred to Ceres Power Intermediate Holdings Ltd at fair value and the investment in Ceres Power Intermediate Holdings Ltd will be held at cost less any amount written off to reflect a diminution in value. The Directors annually consider the need to impair these assets.

Amounts owed by Group undertakings

Amounts owed by Group undertakings are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts that are made when the full amount is no longer considered receivable. A provision for impairment of amounts owed by Group undertakings is established based on estimated recoverable amounts.

Deferred taxation

The Company applies FRS 19, 'Deferred tax', which requires provision to be made in respect of timing differences between the treatment of certain items for accounting and tax purposes. Deferred tax assets are recognised only to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Share-based payments

Share options

The Group has a number of employee and executive share option and award schemes under which it makes equity-settled share-based payments. The fair value at the date of grant of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The charge is then credited back to reserves.

The fair value of employee share options is calculated using a Black-Scholes or binomial model. In accordance with FRS 20, 'Share-based payment', the resulting cost is charged to the profit and loss account over the vesting periods of the plans. The value of the charge is adjusted to reflect the expected and actual levels of options vesting. FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006 and to all later grants.

Options are granted both to employees of the Company and to employees of the Group. All share-based compensation related to subsidiary employees has been recharged to the subsidiary undertaking by way of a capital contribution to the subsidiary. This capital contribution for the current year has increased investment value by £1,066,000 (2014: £811,000) with the corresponding credit posted to reserves.

Pension scheme arrangements

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The pension costs charged represent contributions paid by the Company to individual pension plans and are charged to the profit and loss account as they become payable.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account as incurred.

Cash flow statement

Under FRS1 (Revised 1996), 'Cash flow statements', the Company is exempt from the requirement to produce a cash flow statement.

Related party transactions

The Company has taken advantage of the exemption available to parent companies under FRS 8, 'Related Party Disclosures', not to disclose transactions and balances with wholly owned subsidiaries. Refer to note 22 of the Consolidated Financial Statements for details of related party transactions in the year.

Notes to the company financial statements continued

for the year ended 30 June 2015

2. (Loss)/profit for the year

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented its profit and loss account. The Company's result for the year was a loss of £12,960,000 (2014: profit of £16,766,000), which is stated after charging £10,000 (2014: £10,000) for remuneration receivable by the Company's auditor for the auditing of the financial statements and charging £12,442,000 for provision against the value of the investment held in the subsidiary undertaking. The profit for the prior year includes a £17,200,000 profit for the sale of directly held assets and investments to Ceres Power Intermediate Holdings Ltd, a 100% held subsidiary, which is not distributable to Shareholders.

3. Fixed asset investments

In subsidiary companies:

	2015 £'000	2014 £'000
Cost		
At 1 July	37,398	6,097
Capital contributions arising from share-based payment charge	1,066	811
Disposal of investments to Ceres Power Intermediate Holdings Limited	-	(6,551)
Acquisition of shares in Ceres Power Intermediate Holdings Limited	19,564	-
Transfer of assets of the Company to Ceres Power Intermediate Holdings Limited at fair value	-	37,041
At 30 June	58,028	37,398
Impairment		
At 1 July	-	-
Impairment in fair value of investment in Ceres Power Intermediate Holdings Limited	(12,442)	-
At 30 June	(12,442)	-
Net book value		
At 30 June	45,586	37,398

The capital contributions arising from the share-based payment charge are due to the Company granting share options to the employees of Ceres Power Limited.

The Company's investments comprise entirely the interests in Ceres Power Intermediate Holdings Limited which is the 100% owner of Ceres Power Limited and Ceres Intellectual Property Company Limited, details of which are shown below:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Company
Ceres Power Limited	England and Wales	£0.001 ordinary shares	100%
Ceres Intellectual Property Company Limited	England and Wales	£1.00 ordinary share	100%
Ceres Power Intermediate Holdings Limited	England and Wales	£0.01 ordinary share(s)	100%

The principal activity of Ceres Power Ltd is the development and commercialisation of the Group's fuel cell technology. The principal activity of Ceres Intellectual Property Company Ltd is the administration of registered intellectual property developed within the Group. The principal activity of Ceres Power Intermediate Holdings Ltd is as a holding company to the other Group companies and to manage the Group's cash, cash equivalents and short-term investments. The results of Ceres Power Ltd, Ceres Intellectual Property Company Ltd and Ceres Power Intermediate Holdings Ltd are included within the consolidated financial statements. The Directors have assessed the investment for impairment and believe that the carrying value of the investment is not fully supported by the underlying net assets of the investment, or the net present value of projected future cash flows. As such the Directors have impaired the investment value by £12,442,000 in the year (2014: £nil).

4. Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Other debtors	1	22
Prepayments and accrued income	21	32
	22	54
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	13,144	6,174

The amounts owed by Group undertakings comprise inter-company loans and recharges and are subordinated to all other creditors. Full repayment of this amount is due within five years of the year end and no interest is due on this balance. As of 30 June 2015, a provision of £59,316,000 (2014: £59,316,000) has been made against the inter-company loan to Ceres Power Ltd, reflecting management's best estimate of the recoverable amount.

Amounts owed by Ceres Power Ltd to the Company of £71,758,000 (2014: £65,138,000) are subordinated to all other creditors of Ceres Power Ltd.

5. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	15	36
Taxation and social security	18	6
Accruals and deferred income	84	93
	117	135

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

	2015 £'000	2014 £'000
Amounts owed to Group undertakings	10,670	9,971
	10,670	9,971

The amounts owed to Group undertakings comprise inter-company loans and recharges and are subordinated to all other creditors. Full repayment of this amount is due within five years of the year end and no interest is payable on this balance.

7. Deferred taxation

Potential deferred tax assets have not been recognised but are set out below:

	2015 £'000	2014 £'000
Tax effect of timing differences because of:		
Deductions relating to share options	(8)	-
Losses carried forward	(891)	(796)
	(899)	(796)

The deferred tax assets have not been recognised as the Directors consider that it is unlikely that the asset will be realised in the foreseeable future.

Notes to the company financial statements continued

for the year ended 30 June 2015

8. Called-up share capital

	2015		2014	
	Number	£'000	Number	£'000
Allotted and fully paid				
Ordinary shares of £0.01 each	772,537,841	7,725	536,831,973	5,369

Details of shares issued in the period are provided in note 16 to the Group financial statements. Details of share options are disclosed in note 17 to the Group financial statements.

9. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 July 2014	72,907	3,449	(41,367)
Premium on shares issued	17,213	–	–
Loss for the financial year	–	–	(12,960)
Share-based payments charge	–	–	1,080
At 30 June 2015	90,120	3,449	(53,247)

10. Reconciliation of movements in shareholders' funds

	2015 £'000	2014 £'000
(Loss)/profit for the financial year	(12,960)	16,766
Proceeds of issue of ordinary share capital	20,035	2
Share issue costs	(466)	–
Share-based payments charge	1,080	856
Net change in shareholders' funds	7,689	17,624
Opening shareholders' funds	40,358	22,734
Closing shareholders' funds	48,047	40,358

Directors and advisors

Directors of Ceres Power Holdings plc

Alan Aubrey (Non-Executive Chairman)
Steve Callaghan (Senior Independent Director)
Phil Caldwell (Chief Executive Officer)
Richard Preston (Chief Financial Officer)
Mark Selby (Chief Technology Officer)
Mike Lloyd (Non-Executive Director)
Robert Trezona (Non-Executive Director)
Aidan Hughes (Non-Executive Director)

Registered number

5174075

Company secretary

Helen Milburn

Registered office

Viking House
Foundry Lane
Horsham
West Sussex
RH13 5PX

Japan office

Ceres Power ITEC T05

Floor 3, Building Number 4
Kyoto Research Park
Awatacho 93
Chudoji
Shimogyoku
Kyoto City
Japan
T 600-8815

South Korea office

Seoul Finance Center, 4F
136 Sejong-daero
Jung-gu
Seoul 100-768
Korea

Independent auditor

KPMG LLP

Chartered Accountants and Statutory Auditor
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Solicitors

DAC Beachcroft LLP

Portwall Place
Portwall Lane
Bristol
BS1 9HS

Bankers

National Westminster Bank plc

2nd Floor, Turnpike House
123 High Street
Crawley
West Sussex
RH10 1DQ

Nominated advisor (NOMAD)

Zeus Capital Limited

41 Conduit Street
London
W1S 2YQ

Brokers

Zeus Capital Limited

41 Conduit Street
London
W1S 2YQ

Registrar

Computershare Investor Services PLC

PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Notes



Photo Credits
Steve Morgan
Jonathan Brady
Matt Leete

cover, inside cover, back inside cover, pages 6, 11, 13, 17 and 21
page 3
portraits, pages 15, 22 and 23

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)121 262 3830





www.cerespower.com

Ceres Power Holdings plc
Viking House
Foundry Lane
Horsham
West Sussex
RH13 5PX