

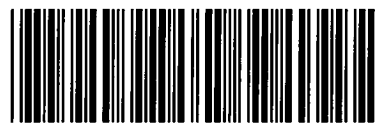
Ceres Intellectual Property Company Limited

Annual report and financial statements

Registered number 05571804

30 June 2017

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Contents

Directors and advisors	1
Directors' report	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditor's report to the members of Ceres Intellectual Property Company Limited	5
Profit and Loss Account and Other Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

Directors and advisors

Directors

Mr Philip Caldwell
Dr Mark Selby
Mr Tony Cochrane

Company Secretary

Ms Caroline Buchan

Registered office

Viking House
Foundry Lane
Horsham
West Sussex
RH13 5PX

Solicitor

DAC Beachcroft LLP
Portwall Place
Portwall Lane
Bristol
BS99 7UD

Independent Auditor

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

Banker

National Westminster Bank plc
2nd Floor, Turnpike House
123 High Street
Crawley
West Sussex
RH10 1DQ

Directors' report

The Directors present their Directors' Report and the audited financial statements of the Company for the year ended 30 June 2017.

Principal activity

The principal activity of the company is to set the strategy for intellectual property defence, exploitation and protection for Ceres Power Holdings plc and its subsidiaries ("the Group"), and the administration of the registered intellectual property of the Group.

Financial instruments

At the end of the year, the Company does not have any complex financial instruments. The financial instruments it does have primarily comprise cash and liquid resources and other various short-term assets and liabilities such as trade debtors and trade creditors which are used to manage the Company's operations.

Results and proposed dividend

The Company made a loss for the financial year of £507,002 (2016: £498,210).

The directors are unable to recommend the payment of a dividend.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the immediate parent company Ceres Power Intermediate Holdings Ltd. The directors have received confirmation that Ceres Power Intermediate Holdings Ltd intends to support the company for at least 12 months from the date these financial statements are signed.

Principal risks and uncertainties

The key business risks affecting the Company are set out below:

Financial risk management

The financial risk faced by the Company is primarily liquidity risk. The Board reviews and agrees policies for managing this risk.

Liquidity risk is the risk arising from the Company not being able to meet its financial obligations. The Group manages its liquidity needs by preparing cash flow forecasts, including forecasting of the Company's liquidity requirements, to ensure the Company has sufficient cash to meet its operational needs.

Intellectual Property protection

The Group's competitive advantage is at risk from successful challenges to its patents, unauthorised parties using the Group's technology in their own products, or others designing around existing IPR. This risk has risen in the year as the Group increasingly shares more of its technology with partners, in line with its strategy.

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. Contractual provisions with partners and IP insurance provides additional protection to the Group.

Note 14 in the Annual Report of Ceres Power Holdings plc, which does not form part of this report, highlights the other financial risks faced by the Company and wider Group and how these are managed at a group level.

Directors' report *(continued)*

Directors

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

Mr Philip Caldwell
Dr Mark Selby
Mr Tony Cochrane
Mr Bruce Girvan *(resigned 16 May 2017)*

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

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2016: £nil).

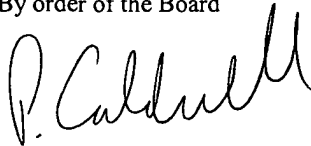
Disclosure of information to auditor

So far as each of the Directors 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.

Auditor

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

By order of the Board



Phil Caldwell
Director
15 December 2017

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Ceres Intellectual Property Company Limited

Opinion

We have audited the financial statements of Ceres Intellectual Property Company Limited ("the company") for the year ended 30 June 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

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

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Independent auditor's report to the members of Ceres Intellectual Property Company Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton road, Crawley
RH11 9PT
19 December 2017

**Profit and Loss Account and Other Comprehensive Income
for the year ended 30 June 2017**

	Notes	2017	2016
		£	£
Administrative expenses		(507,017)	(498,232)
Operating loss		(507,017)	(498,232)
Interest receivable and similar income	2	15	22
Loss on ordinary activities before taxation	2	(507,002)	(498,210)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year and other comprehensive loss		(507,002)	(498,210)

The notes on pages 10 to 15 form an integral part of these Financial Statements.

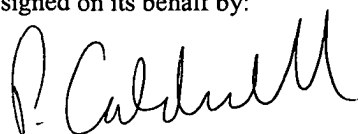
All amounts included in the profit and loss account relate to continuing operations.

Balance Sheet
as at 30 June 2017

	Notes	2017 £	2016 £
Fixed assets			
Intangible assets	6	-	-
Current assets			
Debtors	7	10,019	8,500
Cash at bank and in hand		28,414	23,494
		38,433	31,994
Creditors: amounts falling due within one year	8	(5,281,035)	(4,767,594)
Net current liabilities		(5,242,602)	(4,735,600)
Total assets less current liabilities		(5,242,602)	(4,735,600)
Net liabilities		(5,242,602)	(4,735,600)
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		(5,242,603)	(4,735,601)
Total shareholders' deficit		(5,242,602)	(4,735,600)

The notes on pages 10 to 15 form an integral part of these Financial Statements.

The financial statements on pages 7 to 15 were approved by the board of Directors on 15 December 2017 and were signed on its behalf by:



Phil Caldwell
Director

Ceres Intellectual Property Company Limited
Registered Number: 05571804

Statement of Changes in Equity for the year ended 30 June 2017

	Note	Share capital £	Accumulated losses £	Total £
At 1 July 2015		1	(4,237,391)	(4,237,390)
Comprehensive income				
Loss for the financial period		-	(498,210)	(498,210)
Total comprehensive loss		-	(498,210)	(498,210)
At 30 June 2016	9	1	(4,735,601)	(4,735,600)
Comprehensive income				
Loss for the financial year		-	(507,002)	(507,002)
Total comprehensive loss		-	(507,002)	(507,002)
At 30 June 2017	9	1	(5,242,603)	(5,242,602)

The notes on pages 10 to 15 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Accounting policies

Basis of preparing the financial statements

Ceres Intellectual Property Company Limited (the “Company”) is a private company incorporated, domiciled and registered in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, Ceres Power Holdings plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Ceres Power Holdings plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Ceres Power Holdings plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the immediate parent company Ceres Power Intermediate Holdings Ltd. The directors have received confirmation that Ceres Power Intermediate Holdings Ltd intends to support the company for at least 12 months from the date these financial statements are signed.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held with the Company's banker.

Intangible assets – Intellectual property

Intangible assets comprise intellectual property that is acquired by the Company and are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intellectual property acquired from another Group company is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the Financial Statements (continued)

Impairment (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interest receivable and similar income

Interest receivable and similar income comprises just bank interest. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Expenses and auditor's remuneration

Included in the loss on ordinary activities before taxation are the following:

	2017	2016
	£	£
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditor remuneration:		
- audit services	3,000	2,785
- other services relating to taxation	2,050	1,458
Interest receivable and similar income – bank interest receivable	(15)	(22)

Notes to the Financial Statements (continued)

3 Staff numbers and costs

There were no employees during the current or prior year.

4 Directors' remuneration

All the Directors of the Company are also directors or employees of other Group companies and the direct costs of these Directors have been recharged to other Group companies based on an apportionment of their daily activities undertaken in respect of each Group company.

Four Directors (2016: four) have retirement benefits accruing under defined contribution pension schemes.

Four Directors (2016: four) held options in the ultimate holding company, Ceres Power Holdings plc, at 30 June 2017. Two Directors exercised options held in the holding company during the year (2016: one).

5 Taxation

Recognised in the profit and loss account

No corporation tax liability has arisen during the year (2016: £nil).

Reconciliation of effective tax rate

The tax assessed for the year is different from the standard rate of small profits UK corporation tax of 19.75% (2016: 20%). The differences are explained below:

	2017	2016
	£	£
Loss on ordinary activities before taxation	(507,002)	(498,210)
Loss on ordinary activities before taxation at the UK tax rate of 19.75% (2016: 20%)	(100,133)	(99,642)
Effects of:		
Group relief surrendered	15,846	13,799
Losses carried forward	84,287	85,843
Total current tax charge	-	-

Deferred taxation

At the balance sheet date the Company had deferred tax assets as follows:

	Amount recognised 2017 £	Amount recognised 2016 £	Amount unrecognised 2017 £	Amount unrecognised 2016 £
Tax effect of timing differences because of:				
Losses carried forward	-	-	(858,138)	(824,429)

The deferred tax assets have not been recognised as the Directors consider that it is unlikely that taxable profits will arise in the foreseeable future.

Notes to the Financial Statements (continued)

6 Intangible assets

	Intellectual property £
<i>Cost</i>	
At 1 July 2016	504,000
At 30 June 2017	504,000
<i>Accumulated impairment</i>	
At 1 July 2016	504,000
At 30 June 2017	504,000
<i>Net book value</i>	
At 30 June 2017	-
At 30 June 2016	-

The intangible assets relate to the right to intellectual property which was acquired by the Company in previous years from another Group company.

7 Debtors: amounts falling due within one year

	2017 £	2016 £
Other debtors	4,811	8,500
Prepayments	5,208	-
	10,019	8,500

8 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	-	5,223
Amounts owed to group undertakings	5,229,494	4,750,456
Accruals and deferred income	51,541	11,915
	5,281,035	4,767,594

The amounts owed to group undertakings comprise inter-company loans and recharges which are non-interest bearing and repayable on demand.

9 Share capital

	2017 £	2016 £
Allotted and fully paid		
1 Ordinary share of £1.00 each (2016: 1)	1	1

Notes to the Financial Statements (continued)

10 Related party transactions

The Company has taken advantage of exemptions from disclosing related party transactions on the grounds that it is a wholly owned subsidiary of a group headed by Ceres Power Holdings plc, whose financial statements are publicly available. Related party transactions of the Group are disclosed in the Financial Statements of Ceres Power Holdings plc.

11 Ultimate parent company and parent company of larger group

The ultimate parent undertaking and controlling party is Ceres Power Holdings plc and the immediate parent undertaking is Ceres Power Intermediate Holdings Ltd. Both companies are incorporated in the United Kingdom.

Ceres Power Holdings plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 30 June 2017.

Copies of the consolidated financial statements of Ceres Power Holdings plc are publically available and can be obtained from the Company Secretary, Ceres Power Holdings plc, Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX or from the Group's website: <http://www.cerespower.com/>.