6 May 2016

Proton Power Systems plc

("Proton", "Proton Power" or the "Company")

Final Results

Proton Power Systems plc (AIM: PPS), the designer, developer and producer of fuel cells and fuel cell electric hybrid systems, today announces its results for the year ended 31 December 2015

Highlights:

- Strategic Partnership signed with Deutsche Bahnbau for stationary power solutions.
- The reduction in sales in 2015 to £684k compared to 2014 sales of £1,411k was due to the phasing of our Siemens order within the year. However, there is clear momentum in our business resulting in increased enquiries and sales pipeline. The Company has won significant orders in the year to add to a current strong order book of £1.8m to be delivered in 2016.
- After the year end we received a £1.3m order for emergency power solutions in outdoor cabinets to be delivered in 2016. This order is the most significant order Proton Power has received in its 21-year history. This will form the basis of future orders providing consistent year on year revenues as the technology rollout program over a 7-year frame contract is realised.
- Operating loss reduced by 26% from £6.2m in 2014 to £4.6m in 2015.
- Following the year end, existing loan agreements have been extended to 2018. A further €10m facility has also been agreed. This together with our secured and planned commercial contracts provides the financial strength for our growth plans. The target is for cash flow positivity by 2018.
- Cash burn from operating activities reduced by 6% from £4.8m in 2014 to £4.5m in 2015. Cashflow is our key financial performance target and our objective is to achieve a positive cash flow in the shortest time possible. Current contracts are quoted with up-front payments reducing reliance on working capital as we continue to invest in our manufacturing capability. The cash burn is expected to further reduce in 2016 due to our high order backlog.

- Involved in over £15m of funding projects to introduce our technology to the market.
- Delivery of fuel cell system for Swiss housing complex.
- Delivery of fuel cell systems to repower LOHC Hydrogen.
- Installation of Proton Motor fuel cell powered electric charging station.
- Standardisation of our product topology which is used in offering bespoke CleanTech Power Solutions. This strategy shift has accelerated deployment in our target markets with simplification and cost reduction.
- Developed very strong relationships with many large multinational companies across Europe and Asia.
- We have strengthened our organisation capability with manufacturing and sales application experts.

Ian Peden, Chairman of Proton Power, commented: "The group has been providing CleanTech Hybrid Fuel Cell solutions for over 20 years, resulting in a very strong technical and financial base for the long term. Fuel Cell technology creates electricity from hydrogen while it does not emit carbon dioxide. Hydrogen as a substance is easily stored which makes it the ideal energy source for the future. Hydrogen related businesses globally are currently estimated at $58 billion and this market is estimated to grow dramatically in the future. The group is ready and strategically positioned to roll out solutions to the world markets. For over 20 years we have focused on Stationary, Mobile and Maritime solutions and we look to the future with great confidence."

– Ends –

For further information:

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A copy of the annual report for the year ended 31 December 2015 is available from the companies website (www.protonpowersystems.com) and will be posted to shareholders shortly, together with a notice of annual general meeting to be held at 11th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7BB at 11:00 a.m. on 1 June 2016.

Chairman and Deputy CEO's statement

We are pleased to report our results for the year ended 31 December 2015.

Proton Power has made significant progress this year in proven technology, strategic co-operations and building our sales pipeline for a rapid increase in our order book. Further investment in our manufacturing capability has put us in a very strong strategic position to capitalise in the marketplace to deliver financial performance. We have strengthened our organisation to be able to deliver complete power supply solutions. We add value with our fuel cell expertise and with our system and solution know-how.

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- Received a £1.3m order for emergency power solutions in outdoor cabinets to be delivered in 2016. This order is the most significant order Proton Power has received in its 21-year history. This will form the basis of future orders providing consistent year on year revenues as the technology rollout program over a 7-year frame contract is realised.
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- Following the year end, existing loan agreements have been extended to 2018. A further €10m facility has also been agreed. This together with our secured and planned commercial contracts provides the financial strength for our growth plans. The target is for cash flow positivity by 2018.
- Cash burn from operating activities reduced by 6% from £4.8m in 2014 to £4.5m in 2015. Cashflow is our key financial performance target and our objective is to achieve a positive cash flow in the shortest time possible. Current contracts are quoted with up-front payments reducing reliance on working capital as we continue to invest in our manufacturing capability. The cash burn is expected to further reduce in 2016 due to our high order backlog.
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- Standardisation of our product topology which is used in offering bespoke CleanTech Power Solutions. This strategy shift has accelerated deployment in our target markets with simplification and cost reduction.
- Developed very strong relationships with many large multinational companies across Europe and Asia.
- We have strengthened our organisation capability with manufacturing and sales application experts.

Proton Power is playing a crucial part in shaping the Hydrogen World of the future. Its evolution from Magnet Motor Fuel Cell manufacturer to premium CleanTech Power Solutions service provider is unique.

Proton Power's pioneering spirit results in consistent focus on the future and forms the basis for the powerful forces that will drive the next 100 years of progress and the Hydrogen World of tomorrow and beyond.

A changing brand in Stationary, Mobility and Maritime markets.

In the expansion, realignment and constant development of its core technologies, Proton Power has consistently demonstrated deep market awareness. Proton Power has survived in the CleanTech Fuel Cell technology business when many companies failed in 2008 following the financial crash. In terms of technology design, Proton Power's CleanTech technology has always remained true to its vision and has driven this innovation forwards into the new hydrogen world.

The drive for Proton Power to be a global pioneer in the new CleanTech world is being realized.

The Company began as Magnet Motor, opening its factory 1980. The technology and application roadmap went from the world's first triple hybrid fork lift truck to a fuel cell ship. After that we have developed the triple hybrid Skoda bus in 2008. Containerized power solutions completed the application portfolio. All those applications are powered via our own fuel cell stacks, with a robust design for a long lifetime. The Company established operations in the Munich area and was one of the first German designers and manufacturers of fuel cells. International growth is now planned by looking for good partners with the same vision.

The oil crisis with diesel and now following the COP21 targets presents industry as a whole but in particular the automotive, industry with a huge challenge.

View to the future

Constantly evolving to stay a decisive step ahead has always formed the basis for Proton Power's thinking and actions as a company. The Company is looking two or three decades into the future and considering today the CleanTech Power Solution concepts of tomorrow. To find ground-breaking answers, Proton Power is developing a clear vision of the future – a holistic blueprint for a future world of hydrogen focused on businesses, people and their individual power needs.

Energy is becoming emission-free.

The climate is changing, resources are becoming scarcer and more energy is coming from renewable sources.

Stationary for businesses and people

This market includes back up power for telecoms and data centre installations which has an estimated value of €8 billion for the European market alone.

Mobility

Hydrogen Battery Hybrid zero emission vehicles from emission-free factories. This market includes city buses, airport vehicles, trucks, off-road vehicles to fork lift trucks. This market's size is estimated at over €20 bllion worldwide.

Maritime

Building on our success installing the tourist ship in Hamburg. Sell the know-how capability to partners to evolve this market.

Power Solutions are becoming tailor-made.

CleanTech Power Solutions will become more diverse and more flexible. That is why at Proton Power we are making our offering of products and services bespoke to customer requirements based on our standard suite of CleanTech products aimed at each market sector in a scalable modular approach. As power requirements increase our approach allows users to simply add additional modules all controlled from our unique software. This shift towards modular standardisation results in accelerated deployment in our target markets with simplification and cost reduction.

Connectivity is becoming second nature.

Everything will be connected in the future. The digital age continues to drive energy demands in the world. At Proton Power we have developed our technology to remotely monitor power requirements. That is why we are seizing the opportunities of digitalisation and converting data into digital intelligence to permanently improve lives in a CleanTech environment.

Market Drivers

The 2016 edition of the World Economic Forum's annual Global Risks Report lists "failure of climate-change mitigation and adaptation" as the greatest risk facing the world over the next 10 years. That was the collective judgment of 742 surveyed experts and decision makers drawn from business, academia, civil society, and the public sector.

Also, at the November conference in Paris (COP 21) hosted by the United Nations, 196 countries vowed to take actions designed to limit global warming. Many businesses and corporations have pledged their support for the world effort. This global event engaged a lot of corporate leaders and we believe that neither countries nor companies take these kinds of public pledges lightly. Indeed, on top of polishing their public image, companies are being good citizens of the world when they pitch in with initiatives like reducing greenhouse gas emissions, increasing their use of renewable energy, and being more energy efficient.

From a purely business standpoint, considerations of where and how to build facilities (or alter existing ones) to lessen climate risk have moved up the risk management priority list. Such moves are the main market drivers for Proton Power's CleanTech power solutions and the new Hydrogen world and zero emissions. These market drivers underpin the confidence the Directors and shareholders have in Proton Power's technology to be a real game changer to society.

Coming out of Paris we now have legislation with targets for countries and businesses which are held accountable to the public. When insurance companies are pricing this into business premiums, CO2 emissions are starting to have an impact on businesses' and economies' profitability.

Climate change is a probable contributing factor in certain extreme weather events. A report from the American Meteorology Society (AMS) that assessed 2014 weather events identified human-caused climate change as a partial or likely factor in California's wildfires, Argentina's heat wave, droughts in two African areas, and extreme rainfall and heat waves in Europe.

Therefore, CleanTech technology is being prioritised and required to provide zero emission energy solutions to a multi-billion market that is growing year on year. Proton Power is strategically positioned, after more than 20 years in the industry, to win a significant share.

Finance

Turnover decreased by 52% to £684,000 (2014: £1,411,000), due to the phasing of our Siemens order within the year.
The operating loss for the year was £4,565,000 (2014: £6,181,000) which, when added to net finance costs of £1,687,000 (2014: £1,261,000) and the non-cash loss arising from the change in the fair value of the embedded derivative on the shareholder loan of £2,920,000 (2014: £2,696,000) resulted in a total loss of £9,172,000 (2014: £10,138,000). Excluding the fair value loss on the embedded derivative, this was in line with management expectations.

The Group secured further loan funding in 2015 of €7,220,000 from Mr Falih Nahab. It also received grant funding of €109,000 from the German Government.

Cash burn from operating activities reduced by 6% from £4,757,000 in 2014 to £4,452,000 in 2015.

The total funds raised financed the working capital for the year. The Company continues to be interested in involving other investors alongside Roundstone Properties Limited in this exciting opportunity.

I personally thank all our customers who believe in us, our committed employees and our shareholders who have the vision to invest in our mission.

Ian Peden FCMA
Executive Chairman & Deputy Chief Executive Officer

Consolidated income statement
for the year ended 31 December 2015

	Note	**2015**	2014
		£'000	£'000
Revenue	*4*	**684**	1,411
Cost of sales		**(4,257)**	(4,635)
Gross loss		**(3,573)**	(3,224)
Other operating income		**79**	93
Administrative expenses		**(1,071)**	(3,050)
Operating loss		**(4,565)**	(6,181)
Finance income		**8**	7
Finance costs		**(1,695)**	(1,268)
Fair value loss on embedded derivatives		**(2,920)**	(2,696)
Loss for the year before tax	*5*	**(9,172)**	(10,138)
Tax	*8*	-	-
Loss for the year after tax		**(9,172)**	(10,138)
Loss per share (expressed as pence per share)			
Basic	*9*	**(1.4)**	(1.6)
Diluted	*9*	**(1.4)**	(1.6)

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	2015	2014
	£'000	£'000
Loss for the year	**(9,172)**	(10,138)
Other comprehensive income / (expense)		
Items that may not be reclassified to profit and loss		
Exchange differences on translating foreign operations	**28**	(26)
Total other comprehensive income / (expense)	**28**	(26)
Total comprehensive expense for the year	**(9,144)**	(10,164)
Attributable to owners of the parent	**(9,144)**	(10,164)

Balance sheets
as at 31 December 2015

		Group		Company	
	Note	**2015**	2014	**2015**	2014
		£'000	£'000	**£'000**	£'000
Assets					
Non-current assets					
Intangible assets	*10*	**129**	64	-	-
Property, plant and equipment	*11*	**778**	672	-	-
Investment in subsidiary undertakings	*12*	**-**	-	-	-
		907	736	-	-
Current assets					
Inventories		**692**	312	**-**	-
Trade and other receivables	*13*	**296**	341	**75**	47
Cash and cash equivalents	*14*	**614**	180	**2**	-
		1,602	833	**77**	47
Total assets		**2,509**	1,569	**77**	47
Liabilities					
Current liabilities					
Trade and other payables	*15*	**1,480**	782	**181**	171
Borrowings	*16*	**2,084**	262	**1,757**	-
		3,564	1,044	**1,938**	171
Non-current liabilities					
Borrowings	*16*	**21,104**	16,782	**21,104**	16,782
Embedded derivatives on convertible interest	*17*	**9,542**	6,622	**9,542**	6,622
		30,646	23,404	**30,646**	23,404
Total liabilities		**34,210**	24,448	**32,584**	23,575
Net liabilities		**(31,701)**	(22,879)	**(32,507)**	(23,528)
Equity					
Equity attributable to equity holders of the Parent Company					
Share capital	*19*	**9,708**	9,695	**9,708**	9,695
Share premium		**18,334**	18,298	**18,334**	18,298
Merger reserve		**15,656**	15,656	**15,656**	15,656
Reverse acquisition reserve		**(13,862)**	(13,862)	-	-
Share option reserve		**1,244**	971	**1,244**	971
Foreign translation reserve		**6,102**	5,598	-	-
Capital contributions reserves		**1,002**	1,065	**-**	-
Accumulated losses		**(69,885)**	(60,300)	**(77,449)**	(68,148)
Total equity		**(31,701)**	(22,879)	**(32,507)**	(23,528)

Statements of changes in equity

for the year ended 31 December 2015

Group	Share Capital	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Share Option Reserve	Foreign Translation Reserve	Capital Contribution Reserves	Accumulated Losses	Total Equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2014	**9,679**	**18,224**	**15,656**	**(13,862)**	**779**	**5,144**	**1,137**	**(49,754)**	**(12,997)**
Share based payments	-	-	-	-	192	-	-	-	192
Proceeds from share issues	16	74	-	-	-	-	-	-	90
Currency translation differences	-	-	-	-	-	480	(72)	(408)	-
Transactions with owners	**16**	**74**	**-**	**-**	**192**	**480**	**(72)**	**(408)**	**282**
Loss for the year	-	-	-	-	-	-	-	(10,138)	(10,138)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	(26)	-	-	(26)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(26)**	**-**	**(10,138)**	**(10,164)**
Balance at 31 December 2014	**9,695**	**18,298**	**15,656**	**(13,862)**	**971**	**5,598**	**1,065**	**(60,300)**	**(22,879)**
Balance at 1 January 2015	**9,695**	**18,298**	**15,656**	**(13,862)**	**971**	**5,598**	**1,065**	**(60,300)**	**(22,879)**
Share based payments	-	-	-	-	273	-	-	-	273
Proceeds from share issues	13	36	-	-	-	-	-	-	49
Currency translation differences	-	-	-	-	-	476	(63)	(413)	-
Transactions with owners	**13**	**36**	**-**	**-**	**273**	**476**	**(63)**	**(413)**	**322**
Loss for the year	-	-	-	-	-	-	-	(9,172)	(9,172)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	28	-	-	28
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**28**	**-**	**(9,172)**	**(9,144)**
Balance at 31 December 2015	**9,708**	**18,334**	**15,656**	**(13,862)**	**1,244**	**6,102**	**1,002**	**(69,885)**	**(31,701)**

Statements of changes in equity

Company	Share Capital	Share Premium	Merger Reserve	Share Option Reserve	Accumulated Losses	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2014	**9,679**	**18,224**	**15,656**	**779**	**(57,899)**	**(13,561)**
Proceeds from share issues	16	74	-	-	-	90
Share based payments	-	-	-	192	-	192
Transactions with owners	**16**	**74**	**-**	**192**	**-**	**282**
Loss for the year	-	-	-	-	(10,249)	(10,249)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(10,249)**	**(10,249)**
Balance at 31 December 2014	**9,695**	**18,298**	**15,656**	**971**	**(68,148)**	**(23,528)**
Balance at 1 January 2015	**9,695**	**18,298**	**15,656**	**971**	**(68,148)**	**(23,528)**
Proceeds from share issues	13	36	-	-	-	49
Share based payments	-	-	-	273	-	273
Transactions with owners	**13**	**36**	**-**	**273**	**-**	**322**
Loss for the year	-	-	-	-	(9,301)	(9,301)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(9,301)**	**(9,301)**
Balance at 31 December 2015	**9,708**	**18,334**	**15,656**	**1,244**	**(77,449)**	**(32,507)**

Share premium
Costs directly associated with the issue of the new shares have been set off against the premium generated on issue of new shares.

Merger reserve
The merger reserve of £15,656,000 arises as a result of the acquisition of Proton Motor Fuel Cell GmbH and represents the difference between the nominal value of the share capital issued by the Company and its fair value at 31 October 2006, the date of the acquisition.

Reverse acquisition reserve
The reverse acquisition reserve (Group only) arises as a result of the method of accounting for the acquisition of Proton Motor Fuel Cell GmbH by the Company. In accordance with IFRS 3 the acquisition has been accounted for as a reverse acquisition.

Share option reserve
The Group operates an equity settled share-based compensation scheme. The fair value of the employee services received for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date the Company revises its estimate of the number of options that are expected to vest. The original expense and revisions of the original estimates are reflected in the income statement with a corresponding adjustment to equity. The share option reserve represents the balance of that equity.

Statements of cash flows
for the year ended 31 December 2015

	Group Year ended 31 December		Company Year ended 31 December	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Cash flows from operating activities				
Loss for the year	**(9,172)**	(10,138)	**(9,301)**	(10,249)
Adjustments for:				
Depreciation and amortisation	**238**	2,415	**-**	-
Impairment of investment	**-**	-	**5,165**	6,873
Loss on disposal of property, plant and equipment and intangible assets	**-**	11	**-**	-
Interest income	**(8)**	(7)	**(22)**	(22)
Interest expenses	**1,695**	1,268	**1,692**	1,256
Share based payments	**273**	192	**273**	192
Movement in inventories	**(380)**	114	**-**	-
Movement in trade and other receivables	**45**	(111)	**28**	20
Movement in trade and other payables	**776**	(295)	**10**	166
Movement in fair value of embedded derivatives	**2,920**	2,696	**2,920**	2,696
Effect of foreign exchange rates	**(839)**	(868)	**(873)**	(840)
Net cash (used in) / generated from operations	**(4,452)**	(4,723)	**(108)**	92
Interest paid	**-**	(34)	**-**	-
Net cash (used in) / generated from operating activities	**(4,452)**	(4,757)	**(108)**	92
Cash flows from investing activities				
Capital contribution to subsidiaries	**-**	-	**(5,165)**	(4,936)
Purchase of intangible assets	**(91)**	(28)	**-**	-
Purchase of property, plant and equipment	**(360)**	(313)	**-**	-
Interest received	**8**	7	**22**	22
Net cash used in investing activities	**(443)**	(334)	**(5,143)**	(4,914)
Cash flows from financing activities				
Proceeds from issue of loan instruments	**5,245**	4,886	**5,245**	4,886
Settlement of loan instruments	**-**	-	**-**	(76)
Proceeds from issue of new shares	**8**	12	**8**	12
Net cash generated from financing activities	**5,253**	4,898	**5,253**	4,822
Net increase/(decrease) in cash and cash equivalents	**358**	(193)	**2**	-
Effect of foreign exchange rates	**(4)**	(19)	**-**	-
Opening cash and cash equivalents	**180**	392	**-**	-
Closing cash and cash equivalents	**534**	180	**2**	-

Notes to the financial statements

1. General information

Proton Power Systems plc ("the Company") and its subsidiaries (together "the Group") design, develop, manufacture and test fuel cells and fuel cell hybrid systems as well as the related technical components. The Group's design, research and development and production facilities are located in Germany.

The Company is a public limited liability company incorporated and domiciled in the UK. The address of its registered office is: St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE1 3DX. The Company's initial public offering took place at the Alternative Investment Market of the London Stock Exchange on 31 October 2006 and its shares are listed on this exchange.

2. Summary of significant accounting policies

The Board approved this preliminary announcement on 6 May 2016. The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 December 2015 or 31 December 2014. Statutory accounts for the year ended 31 December 2014 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2015 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditors have reported on the 2015 and 2014 accounts; their report was unqualified and included an emphasis of matter in respect of going concern.

These financial statements for the year ended 31 December 2015 have been prepared under the historical cost convention except for embedded derivative financial instruments, which are stated at their fair value.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 December 2015.

The financial information included in this preliminary announcement has been prepared in accordance with EU endorsed International Financial Standards ('IFRS'), IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS

Until such time as the Group achieves operational cash inflows through becoming a volume producer of its products to a receptive market it will remain dependent on its ability to raise cash to fund its operations from existing and potential shareholders and the debt market. The Group has historically been dependent on the continuing financial support of its main investor, Roundstone Properties Limited ("Roundstone") to meet its day-to-day working capital requirements. The Group has loans with Roundstone Properties Limited, of €2.4m and €16.5m, which were due for repayment in July 2016 and May 2017. The Group has a €10m loan facility with Mr Falih Nahab, of which €7.2m was drawn down at the year end. This facility was due for repayment in December 2017. The Group is dependent on the continuing financial support of Mr Falih Nahab, a related party of Mr Faiz Nahab to meet its day-to-day working capital requirements.

The redemption dates of these loans were extended by Roundstone Properties Limited and Mr Falih Nahab in March 2016 as follows:

- €2.4m to 23 June 2018
- €16.5m; €5.6m to 30 September 2018 and €10.9m to 6 May 2018
- €10m to 31 March 2019

A further €10m facility repayable on 31 March 2019 was also agreed with Falih Nahab.

Mr Falih Nahab has indicated that he will continue to provide further support for at least the next 12 months.

After making these and other relevant enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of this report. For this reason, they have adopted the going concern basis in preparing the financial statements.

3. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Recognition of development costs
Self developed intangible assets are recognised where the Group can estimate that it is probable that future economic benefits will flow to the entity. See Note 10.

Impairment of goodwill
The carrying value of goodwill must be assessed for impairment annually, or more frequently if there are indications that goodwill might be impaired. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the cash generating unit and the use of an appropriate discount rate to discount those cash flows to their present value.

Classification and fair value of financial instruments
The Group uses judgement to determine the classification of certain financial instruments, in particular convertible loans advanced during the year. Judgement is applied to determine whether the instrument is a debt, equity or compound instrument and whether any embedded derivatives exist within the contracts.

Judgements have been made regarding whether the conversion feature meets the "fixed for fixed" test in each instrument. In the case of each instrument it is deemed it is not met on the basis that the loan is in Euros and shares are in Sterling.

The Group uses valuation techniques to measure the fair value of these financial instruments. In applying these valuation techniques, management use estimates and assumptions that are, as far as possible, consistent with observable market data. Where applicable market data is not observable, management uses its best estimate about the assumptions that market participants would make. These
estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4. Segmental information

The Group has adopted the requirements of IFRS8 'Operating segments'. The standard requires operating segments to be identified on the basis of internal financial information about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ('CODM') to allocate resources to the segments and to assess their performance. The CODM has been identified as the Board of Directors. The Board considers the business from a product/services perspective.

Based on an analysis of risks and returns, the Directors consider that the Group has only one identifiable operating segment, green energy.

All property, plant and equipment is located in Germany.

Revenue from external customers

	2015	2014
	£'000	£'000
Germany	**472**	887
Rest of Europe	**121**	200
Rest of the world	**91**	324
	684	1,411

Sales to Siemens AG represented 49.5% of the Group's revenue in 2015 (2014: 49.0%).

The results as reviewed by the CODM for the only identified segment are as presented in the financial statements with the exception of the revaluation loss (2014: loss) on the fair value of the embedded derivative of £2,920,000 (2014: £2,696,000) and the associated impact on the balance sheet.

5. Loss for the year before tax

	2015	2014
	£'000	£'000
Loss on ordinary activities before taxation is stated		
after charging		
Depreciation and amortisation	**238**	289
Impairment of goodwill in SPower Group	**-**	2,126
Hire of other assets - operating leases	**223**	199
Pension contributions	**68**	63
Change in fair value of embedded derivatives	**2,920**	2,696
after crediting		
Foreign exchange gains	**(752)**	(723)
Amortisation of grants from public bodies	**(98)**	(106)

6. Auditors' remuneration

	2015	2014
	£'000	£'000
Audit services		
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	**40**	40
Fees payable to the Company's auditor and its associates for other services:		
Other services	**-**	-
	40	40

7. Staff numbers and costs

The monthly average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2015	2014
Development and construction	**48**	45
Administration and sales	**28**	25
	76	70

The aggregate payroll costs of these persons were as follows:

	Group	
	2015	2014
	£'000	£'000
Wages and salaries	**2,802**	2,729
Share based payments	**273**	193
Social security costs	**515**	508
Other pension costs	**68**	65
	3,658	3,495

Share based payments

The Group has incurred an expense in respect of shares and share options during the year issued to employees as follows:

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Share options	**273**	193	**139**	41
Shares	**41**	20	**41**	20
	314	213	**180**	61

At 31 December 2015 the Group operated a single share option scheme ("SOS"). The SOS allows the Company to grant options to acquire shares to eligible employees. Options granted under the SOS are unapproved by HM Revenue & Customs. The maximum number of shares over which options may be granted under the SOS may not be greater than 15 per cent of the Company's issued share capital at the date of grant when added to options or awards granted in the previous 10 years. The exercise of options can take place at any time after the second anniversary of the date of grant. Options cannot, in any event, be exercised after the tenth anniversary of the date of grant.

All share-based employee remuneration will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle options. Share options and weighted average exercise price are as follows for the reporting periods presented:

	2015		2014	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		£		£
Opening balance	**63,285,000**	**0.043**	58,015,000	0.041
Granted	**19,800,000**	**0.068**	7,350,000	0.061
Exercised	**(300,000)**	**(0.030)**	(400,000)	(0.030)
Forfeited	**(1,540,000)**	**(0.038)**	(1,680,000)	(0.036)
Closing balance	**81,245,000**	**0.049**	63,285,000	0.043

The fair values of options granted were determined using the Black-Scholes valuation model. Significant inputs into the calculation include a weighted average share price and exercise prices. Furthermore, the calculation takes into account future dividends of nil and volatility rates of between 50% and 94%, based on expected share price. Risk-free interest rate was determined between 2.130% and 5.125% for the various grants of options. It is assumed that options granted under the SOS have an average remaining life of 9 months *(2014: 2 months)*.

The underlying expected volatility was determined by reference to the historical data, of the Company. No special features inherent to the options granted were incorporated into measurement of fair value.

Directors' remuneration
Details of Directors' remuneration are given in the audited section of the Remuneration report.

The remuneration of key management of the Group was as follows:

	Group	
	2015	2014
	£'000	£'000
Short-term employee benefit	**211**	219
Share-based payment charge	**160**	105
	371	324

The Group has no key management other than Directors.

8. Tax

The tax on the Group's loss before tax differs from the theoretical amounts that would arise using the weighted average tax rate applicable to losses of the Companies as follows:

	2015	2014
	£'000	£'000
Tax reconciliation		
Loss before tax	(9,172)	(10,138)
Expected tax credit at 20.25 % (2014: 21.5%)	(1,857)	(2,180)
Effects of different tax rates on foreign subsidiaries	(399)	(310)
Expenses not deductible for tax purposes	900	1,941
Tax losses carried forward	1,356	549
Tax charge	-	-

9. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary shares in issue during the year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares, share options and convertible debt; however, these have not been included in the calculation of loss per share because they are anti dilutive for these periods.

	2015		2014	
	Basic	Diluted	Basic	Diluted
	£'000	£'000	£'000	£'000
Loss attributable to equity holders of the Company	(9,172)	(9,172)	(10,138)	(10,138)
Weighted average number of Ordinary shares in issue (thousands)	642,377	642,377	640,865	640,865
Effect of dilutive potential Ordinary shares from share options and convertible debt (thousands)	-	-	-	-
Adjusted weighted average number of Ordinary shares	642,377	642,377	640,865	640,865
	Pence per share	Pence per share	Pence per share	Pence per share
Loss per share (pence per share)	(1.4)	(1.4)	(1.6)	(1.6)

10. Intangible assets - Group

	Goodwill	Copyrights, trademarks and other intellectual property rights	Development costs	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 January 2014	2,126	271	1,357	3,754
Exchange differences	-	(18)	(86)	(104)
Additions	-	24	4	28
Disposals	-	(12)	-	(12)
At 31 December 2014	**2,126**	**265**	**1,275**	**3,666**
At 1 January 2015	2,126	265	1,275	3,666
Exchange differences	-	(16)	(68)	(84)
Additions	-	91	-	91
Transfers	-	42	-	42
Disposals	-	(130)	(108)	(238)
At 31 December 2015	**2,126**	**252**	**1,099**	**3,477**
Accumulated Amortisation				
At 1 January 2014	-	178	1,357	1,535
Exchange differences	-	(13)	(86)	(99)
Charged in year	2,126	43	-	2,169
Disposals	-	(3)	-	(3)
At 31 December 2014	**2,126**	**205**	**1,271**	**3,602**
At 1 January 2015	2,126	205	1,271	3,602
Exchange differences	-	(18)	(68)	(86)
Charged in year	-	65	-	65
Disposals	-	(125)	(108)	(233)
At 31 December 2015	**2,126**	**127**	**1,095**	**3,348**
Net book value				
At 31 December 2015	**-**	**125**	**4**	**129**
At 31 December 2014	**-**	**60**	**4**	**64**
At 1 January 2014	2,126	93	-	2,219

Self-developed intangible assets in the amount of £133,000 (2014: £28,000) are recognized in the reporting year, because the prerequisites of IAS 38 have been fulfilled.

The amortisation charge above is recognized in the administrative expenses in the income statement.

As self-developed intangible assets are not material to the Group financial statements no impairment test has been performed.

There are no individually significant intangible assets.

Amortisation and impairment charges are recognised within administrative expenses.

11. Property, plant and equipment - Group

	Leasehold property improvements	Technical equipment & machinery	Office & other equipment	Self-constructed plant & machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2014	417	1,243	733	53	2,446
Exchange differences	(30)	(67)	(47)	(7)	(151)
Additions	123	31	40	119	313
Transfers	-	(20)	-	20	-
Disposals	-	-	(36)	-	(36)
At 31 December 2014	**510**	**1,187**	**690**	**185**	**2,572**
At 1 January 2015	510	1,187	690	185	2,572
Exchange differences	(30)	(64)	(47)	(12)	(153)
Additions	34	133	70	123	360
Transfers	(4)	115	22	(175)	(42)
Disposals	(12)	(813)	(543)	-	(1,368)
At 31 December 2015	**498**	**558**	**192**	**121**	**1,369**
Accumulated Depreciation					
At 1 January 2014	155	988	653	-	1,796
Exchange differences	(12)	(54)	(42)	-	(108)
Charge for year	87	117	42	-	246
Disposals	-	-	(34)	-	(34)
At 31 December 2014	**230**	**1,051**	**619**	**-**	**1,900**
At 1 January 2015	230	1,051	619	-	1,900
Exchange differences	(13)	(58)	(44)	-	(115)
Charge for year	37	92	44	-	173
Disposals	(12)	(813)	(542)	-	(1,367)
At 31 December 2015	**242**	**272**	**77**	**-**	**591**
Net book value					
At 31 December 2015	**256**	**286**	**115**	**121**	**778**
At 31 December 2014	280	136	71	185	672
At 1 January 2014	262	255	80	53	650

12. Investment in subsidiary undertaking

	2015	2014
Company	**£'000**	£'000
Shares in Group undertaking		
Cost		
At beginning of year	**51,757**	46,821
Additions	**5,165**	4,936
At end of year	**56,922**	51,757
Impairment		
At beginning of year	**51,757**	44,884
Charge for the year	**5,165**	6,873
At end of year	**56,922**	51,757
Net book value		
At end of year	-	-

On 31 October 2006 the Company acquired the entire share capital of Proton Motor Fuel Cell GmbH, a company incorporated in Germany. The cost of investment comprises shares issued to acquire the Company valued at the listing price of 80p per share, together with costs relating to the acquisition and subsequent capital contributions made to the subsidiary.

Following a review of the Company's assets the Board has concluded that there are sufficient grounds for its investment in the subsidiary undertakings to be subject to an impairment review under IAS 36. In arriving at the charge (2014: charge) in the year of £5,165,000 (2014: £6,873,000) the Board has determined the recoverable amount on a value in use basis using a discounted cash flow model.

13. Trade and other receivables

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Trade receivables	**261**	308	**-**	-
Other receivables	**20**	17	**9**	3
Amounts due from Group companies	**-**	-	**55**	35
Prepayments and accrued income	**15**	16	**11**	9
	296	341	**75**	47

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values.

In addition some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Group	
	2015	2014
	£'000	£'000
Not more than three months (all denominated in Euros)	**116**	134

The Directors consider that trade and other receivables which are not past due or impaired show no risk of requiring impairment.

14. Cash and cash equivalents

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**614**	180	2	-
Bank overdraft (Note 16)	**(80)**	-	-	-
	534	180	2	2

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair values.

15. Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Trade payables	**526**	202	**1**	23
Other payables	**489**	92	**-**	-
Accruals and deferred income	**465**	488	**180**	148
	1,480	782	**181**	171

The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

16. Borrowings

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Bank overdraft	**80**	-	**-**	-
Loans				
Current	**2,004**	262	**1,757**	-
Non-current	**21,104**	16,782	**21,104**	16,782
Current and total borrowings	**23,188**	17,044	**22,861**	16,782

During 2014 the Group and Company entered into a new loan agreement with Roundstone Properties Limited which combined all existing Roundstone Properties Limited's loans and provided total facilities of €16,500,000. The loans under this facility were repayable on 6 May 2017 and carry interest at 10% per annum. Roundstone Properties Limited has the option to convert accrued interest and outstanding interest at any time into Ordinary shares in the Company at 2p per share. This facility was fully utilised during 2014.

On 14 December 2014 the Group and Company entered into a loan agreement with Mr Falih Nahab which provides facilities of €10,000,000. The loan was repayable on 13 December 2017 and carries interest at 10% per annum. Mr Falih Nahab has the option to convert accrued interest and outstanding interest at any time into Ordinary shares in the Company at 2p per share. At 31 December 2015 total advances under this facility were €7,720,000. Mr Falih Nahab is the brother of Mr Faiz Nahab, a Director of the Company and both are treated as related parties.

These instruments were classified as a debt host instrument with an embedded derivative being the conversion feature. The embedded derivative has been fair valued and the residual value of the instrument had been recognised as debt. The debt has subsequently been measured at amortised cost.

On 24 July 2013 the Group and Company entered into a new loan agreement with Roundstone Properties Limited providing €2,383,841. The loan is unsecured, repayable on 23 July 2016 and carries interest at LIBOR plus 2% per annum. Interest is to be rolled up and repaid at the termination of the agreement. The Company has the option to repay interest annually.
The redemption dates of these loans were extended by Roundstone Properties Limited and Mr Falih Nahab in March 2016 as follows:

- €2.4m to 23 June 2018
- €16.5m; €5.6m to 30 September 2018 and €10.9m to 6 May 2018
- €10m to 31 March 2019

During 2013 Roundstone Properties Limited provided short-terms loans directly to SPower of €335,000. The loans are interest free and repayable on demand.

The Directors consider that the carrying amount of borrowings approximates to their fair value.

17. Embedded derivatives on convertible interest

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Embedded derivatives on convertible interest	**9,542**	6,622	**9,542**	6,622

The embedded derivatives relate to the conversion features attached to convertible interest as disclosed under note 16. The derivatives are initially recognised at fair value and fair valued at each subsequent accounting reference date.

18. Deferred income tax - Group

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of £10,339,000 (2014: £9,731,000) in respect of losses amounting to £3,661,000 (2014: £3,661,000) and €49,751,000 (2014: €43,112,000).

19. Share capital

The share capital of Proton Power Systems plc consists of fully paid Ordinary shares with a par value of £0.01 (2014: £0.01) and Deferred Ordinary shares with a par value of £0.01. All Ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Proton Power Systems plc. Deferred Ordinary shares have no rights other than the repayment of capital in the event of a winding up. None of the parent's shares are held by any company in the Group.

On 4 February 2015 525,740 Ordinary shares of 1p each were issued each at a price of 3.88p per share in settlement of a supplier's invoice.

On 13 May 2015 478,571 Ordinary shares of 1p each were issued each at a price of 4.375p per share in settlement of a supplier's invoice.

On 30 July 2015 100,000 Ordinary shares of 1p each were issued each at a price of 2p per share for cash in settlement of share options exercised.

On 30 October 2015 200,000 Ordinary shares of 1p each were issued each at a price of 3p per share for cash in settlement of share options exercised.

Details of share options in issue are given in Note 7.

The number of shares in issue at the balance sheet date is 642,821,872 (2014: 641,517,561) Ordinary shares of 1p each (2014: 1p each) and 327,963,452 (2014: 327,963,452) Deferred Ordinary shares of 1p each.

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium, less registration and other regulatory fees and net of related tax benefits.

	2015				2014			
	Ordinary shares		**Deferred ordinary shares**		Ordinary shares		Deferred ordinary shares	
	No. ’000	**£’000**	**No. ’000**	**£’000**	No. ’000	£’000	No. ’000	£’000
Shares authorised, issued and fully paid								
At the beginning of the year	**641,518**	**6,415**	**327,963**	**3,280**	639,919	6,399	327,963	3,280
Share issue	**1,304**	**13**	**-**	**-**	1,599	16	-	-
	642,822	**6,428**	**327,963**	**3,280**	641,518	6,415	327,963	3,280

20. Commitments

Neither the Group nor the Company had any capital commitments at the end of the financial year, for which no provision has been made. Total future lease payments under non-cancellable operating leases are as follows:

	2015		2014	
	Land and buildings	**Other**	Land and buildings	Other
Group	**£’000**	**£’000**	£’000	£’000
Operating leases which expire:				
Within one year	**7**	**-**	343	-
In the second to fifth years inclusive	**427**	**-**	415	-
After more than five years	**-**	**-**	-	-
	434	**-**	758	-

21. Related party transactions

During the year ended 31 December 2015 the Group and Company entered into the following related party transactions:

	Group		**Company**	
	Year ended 31 December		**Year ended 31 December**	
	2015	2014	**2015**	2014
	£’000	£’000	**£’000**	£’000
(Expenses) / Income				
Roundstone Properties Limited effective loan interest	**(1,656)**	(1,215)	**(1,656)**	(1,215)
Roundstone Properties Limited other loan interest	**(36)**	(41)	**(36)**	(41)
Thomas Melzcer	**3**	2	**-**	-
Helmut Gierse	**(20)**	(20)	**(20)**	(20)
Team B Partners LLP	**(4)**	(14)	**(4)**	(14)
IJP Business & Finance Services Limited	**(95)**	-	**(95)**	-

At 31 December 2015 the Group and Company had the following balances with related parties:

	Group		**Company**	
	Year ended 31 December		**Year ended 31 December**	
	2015	2014	**2015**	2014
	£’000	£’000	**£’000**	£’000
Amounts due (to) / from				
Roundstone Properties Limited borrowings and embedded derivatives (see Notes 16 and 17)	**(24,104)**	(23,007)	**(24,104)**	(23,007)
Roundstone Properties Limited interest accrual	**(108)**	(73)	**(108)**	(73)
Roundstone Properties Limited bank guarantee	**(368)**	-	**-**	-
Roundstone Properties Limited loans to SPower	**(247)**	(262)	**-**	-
Falih Nahab	**(8,299)**	(397)	**(8,299)**	(397)
Thomas Melzcer	**62**	62	**-**	-

Team B Partners LLP	-	(3)	-	(3)
IJP Business & Finance Services Limited	-	-	-	-

Further borrowings were drawn down during the year which contained embedded derivatives. In accordance with IAS 39 these have been fair valued.

During the year the Company made capital contributions to Proton Motor Fuel Cells GmbH of £5,165,000 (2014: £4,936,000) and to SPower of £nil (2014: £nil).

The amount due from Thomas Melzcer relates to a director loan balance which was extended during the year.

22. Risk management objectives and policies

The Group's activities expose it to a variety of financial risks:

- foreign exchange risk (note 23);
- credit risk (note 24); and
- liquidity risk (note 25).

The Group's overall risk management programme focuses on the unpredictability of cash flows from customers and seeks to minimise potential adverse effects on the Group's financial performance. The Board has established an overall treasury policy and has approved procedures and authority levels within which the treasury function must operate. The Directors conduct a treasury review at least monthly and the Board receives regular reports covering treasury activities. Treasury policy is to manage risks within an agreed framework whilst not taking speculative positions.

The Group's risk management is co-ordinated at Proton Motor Fuel Cell GmbH in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

23. Foreign currency sensitivity

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Sterling.

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of Euro business.

Euro denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	€'000	**£'000**	€'000	£'000
Financial assets	**376**	**277**	420	329
Financial liabilities	**(43,794)**	**(32,272)**	(30,971)	(24,240)
Short-term exposure	**(43,418)**	**(31,995)**	(30,551)	(23,911)

The following table illustrates the sensitivity of the net result for the year and equity with regard to the parent Company's financial assets and financial liabilities and the Sterling/Euro exchange rate. It assumes a +/- 12.87% change of the Sterling/Euro exchange rate for the year ended at 31 December 2015 (2014: 7.04%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the parent Company's foreign currency financial instruments held at each balance sheet date.

If the Euro had strengthened against Sterling by 12.87% (2014: 7.04%) then this would have had the following impact:

	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'000
Net result for the year	**(4,118)**	(1,683)
Equity	**(4,118)**	(1,683)

If the Euro had weakened against Sterling by 12.87% (2014: 7.04%) then this would have had the following impact:

	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'000
Net result for the year	**4,118**	1,683
Equity	**4,118**	1,683

Exposures to foreign exchange rates vary during the year depending on the value of Euro denominated loans. Nonetheless, the analysis above is considered to be representative of Group's exposure to currency risk.

24. Credit risk analysis

Credit risk is managed on a Group basis. Credit risk arises from cash and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The Directors do not consider there to be any significant concentrations of credit risk.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Group		**Company**	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**534**	180	**2**	-
Trade and other receivables	**281**	325	**64**	38
Short-term exposure	**815**	505	**66**	38

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

25. Liquidity risk analysis

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Group maintains cash to meet its liquidity requirements.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

As at 31 December 2015, the Group's liabilities have contractual maturities which are summarised below:

	Within 6 months	6 to 12 months	1 to 5 years
	£'000	£'000	£'000
Trade payables	526	-	-
Other short term financial liabilities	464	-	-
Borrowings and embedded derivatives on convertible loans	2,004	-	21,104

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Within 6 months	6 to 12 months	1 to 5 years
	£'000	£'000	£'000
Trade payables	202	-	-
Other short term financial liabilities	92	-	-
Borrowings and embedded derivatives on convertible loans	-	262	16,782

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date. Borrowings and embedded derivatives on convertible loans have been combined as they relate to the same instruments. Contractual maturities have been assumed based on the assumption that the lender does not convert the loans into equity before the repayment date.

26. Financial instruments

The assets of the Group and Company are categorised as follows:

As at 31 December 2015	**Group**			**Company**		
	Loans and receivables	**Non-financial assets / financial assets not in scope of IAS 39**	**Total**	**Loans and receivables**	**Non-financial assets / financial assets not in scope of IAS 39**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Intangible assets	-	129	129	-	-	-
Property, plant and equipment	-	778	778	-	-	-
Investment in subsidiary	-	-	-	-	-	-
Inventories	-	692	692	-	-	-
Trade and other receivables	281	15	296	64	11	75
Cash and cash equivalents	614	-	614	2	-	2
	895	**1,614**	**2,509**	**66**	**11**	**77**

As at 31 December 2014	**Group**			**Company**		
	Loans and receivables	Non-financial assets / financial assets not in scope of IAS 39	Total	Loans and receivables	Non-financial assets / financial assets not in scope of IAS 39	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	-	64	64	-	-	-
Property, plant and equipment	-	672	672	-	-	-
Investment in subsidiary	-	-	-	-	-	-
Inventories	-	312	312	-	-	-
Trade and other receivables	325	16	341	38	9	47
Cash and cash equivalents	180	-	180	-	-	-
	505	**1,064**	**1,569**	**38**	**9**	**47**

The liabilities of the Group and Company are categorised as follows:

As at 31 December 2015	Group				Company			
	Financial liabilities at amortised cost	**Financial liabilities valued at fair value through the income statement**	**Liabilities not within the scope of IAS 39**	**Total**	**Financial liabilities at amortised cost**	**Financial liabilities valued at fair value through the income statement**	**Liabilities not within the scope of IAS 39**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	1,480	-	-	1,480	181	-	-	181
Borrowings	23,188	-	-	23,188	22,861	-	-	22,861
Embedded derivatives on convertible loans	-	9,542	-	9,542	-	9,542	-	9,542
	24,668	**9,542**	**-**	**34,210**	**23,042**	**9,542**	**-**	**32,584**

As at 31 December 2014	Group				Company			
	Financial liabilities at amortised cost	Financial liabilities valued at fair value through the income statement	Liabilities not within the scope of IAS 39	Total	Financial liabilities at amortised cost	Financial liabilities valued at fair value through the income statement	Liabilities not within the scope of IAS 39	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	744	-	38	782	171	-	-	171
Borrowings	17,044	-	-	17,044	16,782	-	-	16,782
Embedded derivatives on convertible loans	-	6,622	-	6,622	-	6,622	-	6,622
	17,788	**6,622**	**38**	**24,448**	**16,953**	**6,622**	**-**	**23,575**

Fair values

Management believe that the fair value of trade and other payables and borrowings is approximately equal to book value.

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

The embedded derivatives fall within the fair value hierarchy level 2.

27. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, provide returns for shareholders and benefits to other stakeholders and to maintain a structure to optimise the cost of capital. The Group defines capital as debt and equity. In order to maintain or adjust the capital structure, the Group may consider: the issue or sale of shares or the sale of assets to reduce debt.

The Group routinely monitors its capital and liquidity requirements through leverage ratios consistent with industry-wide borrowing standards. There are no externally imposed capital requirements during the period covered by the financial statements.

28. Ultimate controlling party

The Directors consider Roundstone Properties Limited to be the Ultimate Controlling Party. Dr. Faiz Nahab is connected to Roundstone Properties Limited.