RNS Final Results

Final Results

PROTON MOTOR POWER SYSTEMS PLC

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Proton Motor Power Systems PLC
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23 June 2019

Proton Motor Power Systems plc

("Proton" or the "Company")

Final results for the year 2019

Proton Motor Power Systems plc (AIM: PPS), the designer, developer and producer of fuel cells and fuel cell electric hybrid systems with a zero carbon footprint, announces its results for the year ended 31 December 2019.

Highlights:

- The automated stack assembly machine from a EU funded project, running to November 2020, was delivered in Q2 2019. The machine was inaugurated in September 2019 by the Bavarian Minister for Economics. This will further reduce our product cost and will allow us to meet increasing demand and bring our technology quicker to the market. With a degree of further investment in the machine, annual stack production capacity can be increased to 30,000.
- Further strengthening our organisation capability within the areas of manufacturing and sales applications.
- In 2019 deliveries of fuel cell systems were made within the stationary and mobile market segments and also in the maritime segment, as demand continues to increase and become more concrete in all segments.
- In 2019 Proton Motor announced the conclusion of a Cooperation agreement with MTSA Technopower B.V. to design, manufacture and sell large power systems based on hydrogen fuel cell stacks, ranging between 0.5 MW and 10 MW.
- In 2019 Proton Motor entered into a joint venture agreement with Schäfer Elektronik GmbH whereby the two companies will integrate Proton's larger industrial fuel cells with Schäfer's power electronics, battery and hydrogen storage systems in one integrated plug and play power unit. This unit will provide in excess of 1 MW of power to supply electric vehicle charging stations
- Inspite of the sales decrease the loss before non-cash embedded derivative movements, was reduced by 19% from £9,608k to £7,804k, as the result of favourable exchange rate movements and cost discipline in line with budget monitoring.
- At the end of April 2020 Proton Motor had order backlog at sales value amounting to £6.2m relating to deliveries to customers partially in 2020 with the remainder in 2021.

- Following the year end, a further €7.2m loan facility has been agreed to ensure operational financing into 2020.

- **Ends** -

For further information:

Proton Power Systems plc	
Dr Faiz Nahab, CEO Helmut Gierse, Chairman Sebastian Goldner, COO/CTO Roman Kotlarzewski, CFO Manfred Limbrunner, Director Sales and Marketing	Tel: +49 (0) 173 189 0923 www.protonpowersystems.com
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Antonio Bossi / David Coaten	www.shorecap.co.uk

A copy of the audited annual report for the year ended 31 December 2019 will be made available on the company´s website (www.protonpowersystems.com) and will be posted to the shareholders, together with a notice announcing the date of the of the annual general meeting

Chairman’s statement

We are pleased to report our results for the year ended 31 December 2019.

Overview:

Proton Motor Power Systems plc (formerly Proton Power Systems plc) (“Proton Motor”) has made further progress this year in proving its technology, building on its strategic co-operations and sales pipeline. Further investment in our manufacturing capability has put us in a stronger strategic position to capitalise in the marketplace and to deliver financial performance. We have strengthened our organisation to be able to deliver complete power supply solutions. A marked strengthening of industry and consumer demand for alternative sources of energy has been evident in the period under review. Proton Motor´s technology offer is maturing to be commensurate with this demand and is in line with the continuing commercialisation process of the group. This is further evidenced by the substantial order intake in Q1 2020; the potential sales order pipeline is strong as at the date of this report, with Proton Motor submitting quotes for potential order values of a magnitude higher than that received in Q1 2019.

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- In 2019 deliveries of fuel cell systems were made within the stationary and mobile market segments and also in the maritime segment, as demand continues to increase and become more concrete in all segments.
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- In 2019 Proton Motor entered into a joint venture agreement with Schäfer Elektronik GmbH whereby the two companies will integrate Proton’s larger industrial fuel cells with Schäfer’s power electronics, battery and hydrogen storage systems in one integrated plug and play power unit. This unit will provide in excess of 1 MW of power to supply electric vehicle charging stations
- Inspite of the sales decrease the loss before non-cash embedded derivative movements, was reduced by 19% from £9,608k to £7,804k, as the result of favourable exchange rate movements and cost discipline in line with budget monitoring.
- At the end of April 2020 Proton Motor had order backlog at sales value amounting to £6.2m relating to deliveries to customers partially in 2020 with the remainder in 2021.
- Following the year end, a further €7.2m loan facility has been agreed to ensure operational financing into 2020.

Board and Governance:

The Proton Motor group Board is functioning well and interacting effectively with executive management contributing a good balance of skills and experience. The corporate governance framework which the group operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the board believes are proportionate to the size, risks, complexity and operations of the business and is reflective of the group’s values. Of the two widely recognised formal codes, the Board decided in 2018 to adhere to the Quoted Companies Alliance’s (QCA) Corporate Governance Code (“QCA Code”) for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26). Within the context of

Corporate and social responsibility the Group has a continuing commitment to act ethically, to comply with all relevant regulations, and to contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. This is continuously monitored by the Executive Management and evaluated annually by the Chairman, as it is regarded that motivated and committed staff members will provide maximum value to the Group´s activities.

Finance:

- A 7% decrease in sales in 2019 to £769k compared to 2018 sales of £822k. Sales in 2019 were made to the stationary and mobile market segments and also include sales value of £107k in the maritime market segment.
- Inspite of the sales decrease the loss before non-cash embedded derivative movements, was reduced by 19% from £9,608k to £7,804k, as the result of favourable exchange rate movements and cost discipline in line with budget monitoring.
- At the end of April 2020 Proton Motor had order backlog at sales value amounting to £6.2m relating to deliveries to customers partially in 2020 with the remainder in 2021.
- Following the year end, a further €7.2m loan facility has been agreed to ensure operational financing into 2020.
- Cash burn from operating activities increased by 15% to a level of £6.4m in 2019, from £5.8m in 2018, including stocking up on material for the incoming order intake, partially to be delivered in 2020. Cash flow 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 and development capability.

Outlook

In the year ahead we are focused on progressing the maturity of the group technology offer, ramping up production capacity and exploiting the current potential sales pipeline. The current outlook at the end of 2019 looking into 2020 is more optimistic than that as prevalent at the end of 2018.

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

Helmut Gierse 19 June 2020
Non-Executive Chairman

Consolidated income statement
for the year ended 31 December 2019

	Note	**2019 £'000**	2018 £'000
Revenue	*4*	769	822
Cost of sales		(1,185)	(906)
Gross loss		(416)	(84)
Other operating income		267	198
Administrative expenses		(7,001)	(5,129)
Operating loss		(7,150)	(5,015)
Finance income	*9*	3	3
Finance costs	*10*	(657)	(4,596)
(Loss) for the year before embedded derivatives		(7,804)	(9,608)
Fair value loss on embedded derivatives	*22*	(183,899)	(19,891)
Loss for the year before tax	*5*	(191,703)	(29,499)
Tax	*8*	-	-
Loss for the year after tax		(191,703)	(29,499)
Loss per share (expressed as pence per share)			
Basic	*11*	(29.5)	(4.6)
Diluted	*11*	(29.5)	(4.6)
Loss per share excluding embedded derivative (expressed as pence per share)			
Basic	*11*	(1.2)	(1.5)
Diluted	*11*	(1.2)	(1.5)

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	£'000	£'000
Loss for the year	**(191,703)**	(29,499)
Other comprehensive income / (expense)		
Items that may not be reclassified to profit and loss		
Exchange differences on translating foreign operations	**(2)**	1
Total other comprehensive income / (expense)	**(2)**	1
Total comprehensive expense for the year	**(191,705)**	(29,498)
Attributable to owners of the parent	**(191,705)**	(29,498)

Group and Company balance sheets
as at 31 December 2019

	Note	Group		Company	
	Note	**2019**	2018	**2019**	2018
		£'000	£'000	**£'000**	£'000
Assets					
Non-current assets					
Intangible assets	*12*	**31**	72	**-**	-
Property, plant and equipment	*13*	**1,406**	1,203	**-**	-
Right-of-use assets	*14*	**478**	-		
Fixed asset investments	*15*	**11**	7	**-**	-
		1,926	1,282	**-**	-
Current assets					
Inventories	*16*	**2,408**	1,437	**-**	-
Trade and other receivables	*17*	**240**	408	**100**	138
Cash and cash equivalents	*18*	**1,028**	841	**2**	1
		3,676	2,686	**102**	139
Total assets		**5,602**	3,968	**102**	139
Liabilities					
Current liabilities					
Trade and other payables	*19*	**3,049**	1,768	**164**	202
Lease debt	*20*	**188**	-	**-**	
Borrowings	*21*	**837**	177	**-**	-
		4,074	1,945	**164**	202
Non-current liabilities					
Lease debt	*20*	**299**	-	**-**	-
Borrowings	*21*	**64,869**	58,098	**64,869**	58,098
Embedded derivatives on convertible interest	*22*	**222,331**	38,432	**222,331**	38,432
		287,499	96,530	**287,200**	96,530
Total liabilities		**291,573**	98,475	**287,364**	96,732
Net liabilities		**(285,971)**	(94,507)	**(287,262)**	(96,593)
Equity					
Equity attributable to equity holders of the parent Company					
Share capital	*24*	**9,970**	9,728	**9,970**	9,728
Share premium		**18,704**	18,382	**18,704**	18,382
Merger reserve		**15,656**	15,656	**15,656**	15,656
Reverse acquisition reserve		**(13,861)**	(13,861)	-	-
Share option reserve		**968**	1,262	**968**	1,262
Foreign translation reserve		**10,437**	9,891	**-**	-
Capital contributions reserves		**1,151**	1,226	-	-
Accumulated losses					
At 1 January of respective year		**(136,791)**	(106,728)	**(141,621)**	(111,141)
Loss for the year attributable to the owners		**(191,705)**	(29,498)	**(190,939)**	(30,480)
Other changes in retained earnings		**(500)**	(565)	**-**	-
Total equity		**(285,971)**	(94,507)	**(287,262)**	(96,593)

Group and Company statements of changes in equity
for the year ended 31 December 2019

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 2018	**9,722**	**18,362**	**15,656**	**(13,862)**	**1,635**	**9,345**	**1,208**	**(106,728)**	**(64,662)**
Share based payments	-	-	-	-	(373)	-	-	-	(373)
Proceeds from share issues	6	20	-	-	-	-	-	-	26
Currency translation differences	-	-	-	1	-	546	18	(565)	-
Transactions with owners	**6**	**20**	**-**	**1**	**(373)**	**546**	**18**	**(565)**	**(347)**
Loss for the year	-	-	-	-	-	-	-	(29,499)	(29,499)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	-	-	1	1
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(29,498)**	**(29,498)**
Balance at 31 December 2019	**9,728**	**18,382**	**15,656**	**(13,861)**	**1,262**	**9,891**	**1,226**	**(136,791)**	**(94,507)**
Balance at 1 January 2019	**9,728**	**18,382**	**15,656**	**(13,861)**	**1,262**	**9,891**	**1,226**	**(136,791)**	**(94,507)**
Share based payments	-	-	-	-	(294)	-	-	-	(294)
Proceeds from share issues	242	322	-	-	-	-	-	-	564
Currency translation differences	-	-	-		-	546	(75)	(500)	(29)
Transactions with owners	**242**	**322**	**-**	**-**	**(294)**	**546**	**(75)**	**(500)**	**241**
Loss for the year	-	-	-	-	-	-	-	(191,703)	(191,703)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	-	-	(2)	(2)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(191,705)**	**(191,705)**
Balance at 31 December 2019	**9,970**	**18,704**	**15,656**	**(13,861)**	**968**	**10,437**	**1,151**	**(328,996)**	**(285,971)**

Statements of changes in equity - Company

Company	Share Capital	Share Premium	Merger Reserve	Share Option Reserve	Accumulated Losses	Total Equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2018	**9,722**	**18,362**	**15,656**	**1,635**	**(111,141)**	**(65,766)**
Share based payments	-	-	-	(373)	-	117
Proceeds from share issues	6	20	-	-	-	26
Transactions with owners	**6**	**20**	**-**	**(373)**	**-**	**(347)**
Loss for the year	-	-	-	-	(30,480)	(30,480)
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**(30,480)**	**(30,480)**
Balance at 31 December 2018	**9,728**	**18,382**	**15,656**	**1,262**	**(141,621)**	**(96,593)**
Balance at 1 January 2019	**9,728**	**18,382**	**15,656**	**1,262**	**(141,621)**	**(96,593)**
Share based payments	-	-	-	(294)	-	(294)
Proceeds from share issues	242	322	-	-	-	564
Transactions with owners	**242**	**322**	**-**	**(294)**	**-**	**270**
Loss for the year	-	-	-	-	(190,939)	(190,939)
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**(190,939)**	**(190,939)**
Balance at 31 December 2019	**9,970**	**18,704**	**15,656**	**968**	**(332,560)**	**(287,262)**

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.

Group and Company statements of cash flows
for the year ended 31 December 2019

	Group Year ended 31 December		Company Year ended 31 December	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Cash flows from operating activities				
Loss for the year	**(191,703)**	(29,499)	**(190,939)**	(30,480)
Adjustments for:				
Depreciation and amortisation	**462**	249	**-**	-
Loss on disposal of property, plant and equipment	**59**	-	**-**	
Impairment of investment	**7**	-	**6,622**	6,257
Interest income	**(3)**	(3)	**(39)**	(36)
Interest expense	**4,500**	3,883	**4,455**	3,875
Share based payments	**(294)**	(373)	**(294)**	(373)
Movement in inventories	**(971)**	(523)	**-**	-
Movement in trade and other receivables	**168**	6	**38**	(60)
Movement in trade and other payables	**1,281**	(145)	**(38)**	137
Movement in fair value of embedded derivatives	**183,899**	19,891	**183,899**	19,891
Effect of foreign exchange rates	**(3,843)**	713	**(3,843)**	713
Net cash (used in) / generated from operations	**(6,438)**	(5,801)	**(139)**	(76)
Interest paid	**-**	-	**-**	-
Net cash (used in) / generated from operating activities	**(6,438)**	(5,801)	**(139)**	(76)
Cash flows from investing activities				
Capital contribution to subsidiaries	**-**	-	**(6,622)**	(6,257)
Purchase of intangible assets	**(4)**	(29)	**-**	-
Purchase of property, plant and equipment	**(579)**	(343)	**-**	-
Investment in associate company	**(11)**	(7)	**-**	-
Interest received	**3**	3	**39**	36
Net cash used in investing activities	**(591)**	(376)	**(6,583)**	(6,221)
Cash flows from financing activities				
Proceeds from issue of loan instruments	**6,158**	6,257	**6,158**	6,257
Proceeds from issue of new shares	**564**	26	**564**	26
New obligations of lease debt	**594**	-	**-**	
Repayment of obligations under lease debt	**(107)**	-		
Repayment of short-term borrowings	**-**	(49)	**-**	-
Net cash generated from financing activities	**7,209**	6,234	**6,722**	6,283
Net increase/(decrease) in cash and cash equivalents	**180**	57	**0**	(14)
Effect of foreign exchange rates	**7**	(11)	**1**	11
Opening cash and cash equivalents	**841**	795	**1**	4
Closing cash and cash equivalents	**1,028**	841	**2**	1

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 in England and Wales, 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.

Directors

The Directors who held office during the year and up to the date of approval of this report were as follows:

Dr. Faiz Nahab	Chief Executive[1,3]
Helmut Gierse	Chairman[2]
Sebastian Goldner	Chief Technical Officer and Chief Operations Officer
Roman Kotlarzewski	Chief Financial Officer and Company Secretary[4,6]
Manfred Limbrunner	Director Sales and Marketing[5]

1 Chairman of the Remuneration Committee.
2 Chairman of the Audit Committee.
3 Chairman of the Nominations Committee.
4 Member of the Remuneration Committee.
5 Member of the Audit Committee.
6 Member of the Nominations Committee.

2. Summary of significant accounting policies

The Board approved this announcement on 19 June 2020. The financial information included in this announcement does not constitute the Group´s statutory accounts for the years ended 31 December 2019 or 31 December 2018. Statutory accounts for the year ended 31 December 2018 have been delivered to Companies House. The statutory accounts for the year ended 31 December 2019 will be delivered to Companies House accordingly.

Basis of preparation
The consolidated financial statements of the Group and the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies under IFRS.

The consolidated financial statements and the financial statements of the Company have been prepared under the historical cost convention and in accordance with IFRS interpretations (IFRS IC) except for embedded derivatives which are carried at fair value through the income statement and on the basis that the Group continues to be a going concern.

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.

On 8 April 2019 it was announced that Roundstone Properties Ltd, a company controlled by the Nahab family, has transferred all its 596,279,682 shares held in Proton Power Systems plc to SFN Cleantech Investment Ltd. ("SFN"). Additionally Roundstone Properties Ltd has transferred to SFN Cleantech Investment Ltd all loans receivable from the Company. As both entities Roundstone Properties Ltd and SFN Cleantech Investment Ltd are controlled by the Nahab family, there has been, therefore, no change in ultimate control.

The Group has loans with SFN of €2.4m and €16.6m. The redemption dates of this loan were extended by SFN in May 2019 as follows:

- €2.4m to 31 December 2020
- €16.6m to 31 December 2020

Subsequent to the 2019 year end it was agreed that the loan facility of €16.6m would be increased by a further €3.6m to €20.2m.

The Group also has a loan facility with Mr. Falih Nahab of €41.2m, of which €37.7m were drawn down at the year end. Subsequent to the 2019 year end it was agreed that this loan facility would be increased by a further €3.6m to €44.7m.

The repayment date for all loans is to be extended to 31 December 2021. As such the loans are held as non-current borrowings in the financial statements.

Cash flow forecasts demonstrate that the committed facilities from Mr Falih Nahab enable the Company and the group to meet its cash requirements for the period up to June 2021. The Company and Group are also able to defer discretionary spend during this period to provide further cash flow headroom, should this be required.

At this point in time there has been no indication of circumstances which would lead to Mr Falih Nahab withdrawing this support. Mr Falih Nahab, is a private individual based in Jordan and as such is unable to produce financial information to support his ability to fund the debt facility. Mr Falih Nahab is a related party.

Due to the lack of available financial information, the Directors are unable to confirm that Falih Nahab has the ability to provide such support. This condition indicates the existence of a material uncertainty which may cast significant doubt upon the Group and the Company's ability to continue as a going concern. However, the Directors firmly believe that the Group and Company remain a going concern on the grounds that Falih Nahab has supported the Group and the Company in recent years and that funding has been agreed by Falih Nahab for at least the next 12 months.

The financial statements do not include the adjustments that would result if the Group or Company was unable to continue as a going concern.

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 12.

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.
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estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Determining residual values and useful economic lives of intangible fixed assets and property, plant & equipment

The Group depreciates property, plant & equipment and amortises intangible fixed assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management.

Judgement is applied by management when determining the residual values of property, plant & equipment and intangible fixed assets. When determining the residual value management aim to assess the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life.

The carrying amount of group intangible fixed assets at the reporting date was £31k (2018: £72k) and the carrying amount of group property, plant & equipment at the reporting date was £1,406k (2018: £1,203k).

Inventory provisions

In accordance with IAS 2 the Group regularly reviews its inventory to ensure it is carried at the lower of cost or net realisable value. The management constantly reviews slow moving and obsolete items arising from changes in the product mix demanded by customers, reductions in overall volumes, supplier failures and strategic resourcing decisions. Obsolescence provisions are calculated based on current market values and future sales of inventories. If this review identifies significant levels of obsolete inventory, this obsolescence is charged to the income statement as an impairment. The total inventory provision included in the balance sheet at the reporting date was £266k (2018: £167k).

Share-based payments

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

	2019	2018
	£’000	£’000
Germany	**389**	365
Rest of Europe	**142**	387
Rest of the World	**238**	70
	769	822

Sales to Alitkan and Danmedics represented 46.1% of the Group’s revenue in 2019 (2018: Deutsche Bahn Baugruppe and Devinn s.r.o 40.0%).

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 (2018: loss) on the fair value of the embedded derivative of £183,898,909 (2018: £19,891,207) and the associated impact on the balance sheet.

5. Loss for the year before tax

	2019	2018
	£'000	£'000
Loss on ordinary activities before taxation is stated		
after charging		
Depreciation and amortisation	**462**	249
Hire of other assets - operating leases	**176**	379
Pension contributions	**66**	61
Change in fair value of embedded derivatives	**183,899**	19,891
Foreign exchange losses	**-**	713
after crediting		
Amortisation of grants from public bodies	**(155)**	(19)
Foreign exchange gains	**(3,843)**	-

6. Auditors' remuneration

	2019	2018
	£'000	£'000
Audit services		
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	**35**	**35**
Fees payable to the Company's auditor and its associates for other services:		
Other services	**7**	**4**
	42	**39**

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:

	2019	2018
Development and construction	**53**	48
Administration and sales	**26**	22
	79	70

The aggregate payroll costs of these persons were as follows:

	Group	
	2019	2018
	£'000	£'000
Wages and salaries	**3,385**	2,979
Share based payments	**(294)**	(373)
Social security costs	**658**	603
Other pension costs	**66**	65
	3,815	3,274

There are no staff, or direct wages specific to the Company. Share based payments charge to the non-executive Directors of the Company is £27,000 (2018: £26,000)

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	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Share options	**(294)**	(373)	**(294)**	(373)
Shares	**27**	26	**27**	26
	(267)	(347)	**(267)**	(347)

Details of share options granted during 2019 are disclosed in the Directors' report on page 12. The cost of these options to the Group is being charged over a two year period from the date of grant at which point they become exercisable.

At 31 December 2019 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:

	2019		2018	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
	000´s	**£**	000´s	£
Opening balance	**69,862**	**0.192**	76,375	0.324
Granted	**300**	**0.080**	-	-
Exercised	**(2,750)**	**(0.036)**	-	-
Forfeited	**(17,677)**	**(0.007)**	(6,513)	(0.128)
Closing balance	**49,735**	**0.229**	69,862	0.192

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 98%, based on expected share price. Risk-free interest rate was determined between 0.640% and 5.125% for the various grants of options. It is assumed that options granted under the SOS have an average remaining life of 5 months *(2018:5 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.

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:

	2019	2018
	£'000	£'000
Tax reconciliation		
Loss before tax	**(191,703)**	(29,499)
Expected tax credit at 19% (2017: 20%)	**(36,424)**	(5,605)
Effects of different tax rates on foreign subsidiaries	**(443)**	(317)
Expenses not deductible for tax purposes	**736**	3,105
Tax losses carried forward	**36,131**	2,817
Tax charge	**-**	-

9. Finance income

	Group	
	2019	2018
	£’000	£’000
Interest	**3**	3
	3	3

10. Finance costs

	Group	
	2019	2018
	£’000	£’000
Interest	**4,500**	3,883
Exchange loss on shareholder loans	**(3,843)**	713
	657	4,596

11. 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.

	2019		2018	
	Basic	**Diluted**	Basic	Diluted
	£’000	**£’000**	£’000	£’000
Loss before embedded derivative	**(7,804)**	**(7,804)**	(9,608)	(9,608)
Fair value loss on embedded derivatives	**(183,899)**	**(183,899)**	(19,891)	(19,891)
Loss attributable to equity holders of the Company	**(191,703)**	**(191,703)**	(29,499)	(29,499)
Weighted average number of Ordinary shares in issue (thousands)	**649,802**	**649,802**	641,214	641,214
Effect of dilutive potential Ordinary shares from share options and convertible debt (thousands)	**-**	**-**	-	-
Adjusted weighted average number of Ordinary shares	**649,802**	**649,802**	641,214	641,214
	Pence per share	**Pence per share**	Pence per share	Pence per share
Loss per share (pence per share)	**(29.5)**	**(29.5)**	(4.6)	(4.6)
Loss per share before embedded derivatives (pence per share)	**(1.2)**	**(1.2)**	(1.5)	(1.5)

12. Intangible assets - Group

	Goodwill	Copyrights, trademarks and other intellectual property rights	Development costs	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2018	2,126	207	-	2,333
Exchange differences	-	4	-	4
Additions	-	29	-	29
Transfers	-	-	-	-
Disposals	-	-	-	-
At 31 December 2018	**2,126**	**240**	**-**	**2,366**
At 1 January 2019	2,126	240	-	2,366
Exchange differences	-	(15)		(15)
Additions	-	4		4
Transfers	-	-	-	-
Disposals	-	-	-	-
At 31 December 2019	**2,126**	**229**	**-**	**2,355**
Accumulated Amortisation				
At 1 January 2018	2,126	118	-	2,244
Exchange differences	-	3	-	3
Charged in year	-	47	-	47
Disposals	-	-	-	-
At 31 December 2018	**2,126**	**168**	**-**	**2,294**
At 1 January 2019	2,126	168	-	2,294
Exchange differences	-	(10)	-	(10)
Charged in year	-	40	-	40
Disposals	-	-	-	-
At 31 December 2019	**2,126**	**198**	**-**	**2,324**
Net book value				
At 31 December 2019	**-**	**31**	**-**	**31**
At 31 December 2018	-	72	-	72
At 1 January 2018	-	89	-	89

Self-developed intangible assets in the amount of £4,000 (2018: £29,000) are recognised in the reporting year, because the prerequisites of IAS 38 have been fulfilled.

Amortisation and impairment charges are recognised within administrative expenses.

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.

The company does not hold any intangible assets.

13. 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 2018	542	779	326	311	1,958
Exchange differences	8	12	6	5	31
Additions	14	22	53	254	343
Transfers	-	113	-	(113)	-
Disposals	-	-	-	-	-
At 31 December 2018	**564**	**926**	**385**	**457**	**2,332**
At 1 January 2019	564	926	385	457	2,332
Exchange differences	(34)	(57)	(23)	(29)	(143)
Additions	27	27	340	185	579
Transfers	87	283	-	(370)	-
Disposals	-	-	-	(59)	(59)
At 31 December 2019	**644**	**1,179**	**702**	**184**	**2,709**
Accumulated Depreciation					
At 1 January 2018	260	497	153	-	910
Exchange differences	5	9	3	-	17
Charge for year	56	94	52	-	202
Disposals	-	-	-	-	-
At 31 December 2018	**321**	**600**	**208**	**-**	**1,129**
At 1 January 2019	321	600	208	-	1,129
Exchange differences	(18)	(37)	(13)	-	(68)
Charge for year	62	101	79	-	242
Disposals	-	-	-	-	-
At 31 December 2019	**362**	**664**	**274**	**-**	**1,303**
Net book value					
At 31 December 2019	**279**	**515**	**428**	**184**	**1,406**
At 31 December 2018	243	326	177	457	1,203
At 1 January 2018	282	282	173	311	1,048

The company does not hold any property, plant and equipment.

14. Right-of-use assets – Group

	Land and buildings	Plant and machinery	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2019	-	-	-
Initial recognition of IFRS 16 – on transition	584	10	594
Initial recognition of IFRS 16 – in the year	-	64	64
At 31 December 2019	**584**	**74**	**658**
Accumulated Depreciation			
At 1 January 2019	-	-	-
Charge for year	167	13	180
At 31 December 2019	**167**	**13**	**180**
Net book value			
At 31 December 2019	**417**	**61**	**478**
At 1 January 2019	-	-	-

The company does not hold any right-of-use assets.

15. Fixed asset investments

	2019	2018
Group	**£'000**	£'000
Shares in associate undertaking		
Cost		
At beginning of year	**7**	-
Additions	**11**	7
At end of year	**18**	7
Impairment		
At beginning of year	**-**	-
Charge for the year	**7**	-
At end of year	**7**	-
Net book value		
At end of year	**11**	7

In Q3 2019 Proton signed a joint venture agreement to establish Nexus-e GmbH, a company registered in Achern, Germany. Proton owns 50.00% of the share capital of Nexus-e GmbH.

	2019	2018
Company	**£'000**	£'000
Shares in Group undertaking		
Cost		
At beginning of year	**75,990**	69,733
Additions	**6,622**	6,257
At end of year	**82,612**	75,990
Impairment		
At beginning of year	**75,990**	69,733
Charge for the year	**6,622**	6,257

At end of year	**82,612**	75,990
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 in the year of £6,622,000 (2018: £6,257,000) the Board has determined the recoverable amount on a value in use basis using a discounted cash flow model.

16. Inventories

	Group		**Company**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Finished goods	**97**	48	**-**	-
Work in progress	**452**	48	**-**	-
Consumable stores	**-**	-	**-**	-
Raw materials	**1,859**	1,341	**-**	-
	2,408	1,437	**-**	-

The cost of goods sold during 2019 is £1,185,000 (2018: £906,000). It includes £266,000 impairment loss for slow moving finished goods and goods anticipated to be sold at a loss (2018: £167,000).

17. Trade and other receivables

	Group		**Company**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Trade receivables	**32**	143	**-**	-
Other receivables	**182**	212	**1**	11
Amounts due from Group companies	**-**	-	**88**	117
Prepayments and accrued income	**26**	53	**11**	10
	240	408	**100**	138

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	
	2019	2018
	£'000	£'000
Not more than three months (all denominated in Euros)	**-**	2

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

18. Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**1,028**	841	**2**	1
	1,028	841	**2**	1

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

19. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Trade payables	**472**	235	**-**	-
Other payables	**1,937**	1,140	**1**	6
Amounts due to Group companies	**-**	-	**94**	126
Accruals and deferred income	**640**	393	**69**	70
	3,049	1,768	**164**	202

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

20. Lease debt

The company implemented IFRS 16 'Leases' as of 1 January 2019 (see Note 2). Whilst the Company implemented the accounting standard using the Cumulative retrospective approach which does not require comparatives to be restated the below fully details the effect of IFRS 16 on the Company's lease debt.

A summary of the lease debt maturity is shown below:

Group

	Principal	**Interest**	**Total 2019**	2018
	£'000	**£'000**	**£'000**	£'000
Less than 1 year	213	25	188	-
Between 2 and 5 years	323	24	299	-
Over 5 years	-	-	-	-
	536	**49**	**487**	**-**

The carrying value of assets held under lease within right-of-use assets is £478k (2018: Nil due to IFRS 16 not being applied until 1 Jan 19). The balances relate to the Benzstrasse 7, Puchheim, Germany property lease and a number of vehicle leases held in Proton Motor Fuel Cell GmbH.

21. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Bank overdraft	**837**	177	**-**	-
Loans				
Current	**-**	-	**-**	-
Non-current	**64,869**	58,098	**64,869**	58,098
Current and total borrowings	**65,706**	58,275	**64,869**	58,098

Included within non-current borrowings as at year end are amounts of £23,079k (2018: £23,013k) due to SFN Cleantech Investment Limited which includes a principal loan of €16.6m (2018: €16.6m) and accrued interest thereon. The principal loan attracts interest of 10% per annum and is unsecured. SFN Cleantech Investment Limited has the option to convert the accrued interest at any time into Ordinary shares in the parent company at varying rates per share. Subsequent to the year end it was agreed to extend this loan facility by a further €3.6m, from €16.6m to €20.2m.

Also included within non-current borrowings as at year end are amounts of £2,183k (2018: £2,279k) due to SFN Cleantech Investment Limited which includes a principal loan of €2.3m (2018: €2.3m) and accrued interest thereon. The principal loan attracts interest of LIBOR+2% per annum and is unsecured. Interest is to be rolled up and repaid at the termination of the loan agreement.

Further included within non-current borrowings as at year end are amounts of £40,006k (2018: £32,806k) due to Mr Falih Nahab, a brother of Dr Faiz Nahab, a director of the Company. This balance includes principal loan advances of €41.1m (2018: €30.3m) and accrued interest thereon. The principal loan attracts interest of 10% per annum and is unsecured. Mr Falih Nahab has the option to convert the accrued interest at any time into Ordinary shares in the parent company at varying rates per share. Subsequent to the year end it was agreed to extend this loan facility by a further €3.6m, from €41.1m to €44.7m.

All loans were repayable on 31 December 2020, however subsequent to the year end the redemption dates of all loans were extended to 31 December 2021. As such the loans are held as non-current borrowings. The loans are also now secured on the assets of the Group.

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.

22. Embedded derivatives on convertible interest

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Embedded derivatives on convertible interest	**222,331**	38,432	**222,331**	38,432

The embedded derivatives relate to the conversion features attached to convertible interest as disclosed under note 21. The derivatives are initially recognised at fair value and fair valued at each subsequent accounting reference date. The annual
movement on the embedded derivatives is a non-cash expense or income, without any requirement to settle a liability, in order to comply with relevant accounting regulations.
The fair values of the embedded derivatives were determined using the Black-Scholes valuation model. The valuation was performed by an independent expert and significant inputs into the calculation include the share price of the Company at valuation date and the estimate of total accrued interest as at the exercise date. The underlying expected volatility of share price and risk-free rate of interest were determined by reference to the historical data of the Company.

23. 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 £19,507,000 (2018: £17,728,000) in respect of losses amounting to £6,805,000 (2018: £6,961,000) and €78,729,000 (2018: €70,370,000).

24. Share capital

The share capital of Proton Motor Power Systems plc consists of fully paid Ordinary shares with a par value of £0.01 (2018: £0.01) and Deferred Ordinary shares with a par value of £0.01 (2018: £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 Motor 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 2019 336,060 Ordinary shares of 1p each were issued each at a price of 8.00p per share in settlement of a Director´s annual fee for the period ended 31 January 2019.

The number of shares in issue at the balance sheet date is 669,008,288 (2018: 644,882,228) Ordinary shares of 1p each (2018: 1p each) and 327,963,452 (2018: 327,963,452) Deferred Ordinary shares of 1p each (2018: 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.

	2019				2018			
	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	**644,882**	**6,448**	**327,963**	**3,280**	644,268	6,442	327,963	3,280
Share issue	**24,126**	**242**	**-**	**-**	614	6	-	-
	669,008	**6,690**	**327,963**	**3,280**	644,882	6,448	327,963	3,280

25. 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. In addition to the lease debt which is recorded on the Group's balance sheet as per Note 20, there are also various short term and low value leases which are accounted for as operating leases. Total future lease payments under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings	**Other**	Land and buildings	Other
Group	**£'000**	**£'000**	£'000	£'000
Operating leases payable:				
Within one year	**22**	**95**	294	113
In the second to fifth years inclusive	**-**	**11**	518	26
After more than five years	**-**	**-**	-	-
	22	**106**	812	139

26. Related party transactions

During the year ended 31 December 2019 the Group and Company entered into the following related party transactions:

	Group		**Company**	
	Year ended 31 December		**Year ended 31 December**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
(Expenses) / Income				
SFN Cleantech Investment Limited effective loan interest	**(1,446)**	(1,467)	(1,446)	(1,467)
Falih Nahab effective loan interest	**(2,972)**	(2,370)	(2,972)	(2,370)
SFN Cleantech Investment Limited other loan interest	**(37)**	(38)	(37)	(38)

At 31 December 2019 the Group and Company had the following balances with related parties:

	Group		**Company**	
	Year ended 31 December		**Year ended 31 December**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Amounts due (to) / from				
SFN Cleantech Investment Limited borrowings and embedded derivatives (see Notes 21 and 22)	**(131,629)**	(43,188)	(131,629)	(43,188)
SFN Cleantech Investment Limited bank guarantee	**(270)**	(288)	-	-
Dr Faiz Nahab bank guarantee	**(846)**	(451)	-	-
SFN Cleantech Investment Limited loans to SPower GmbH	**(2,294)**	(2,279)	-	-
Falih Nahab borrowings and embedded derivatives (See Notes 21 & 22)	**(153,388)**	(51,063)	(153,388)	(51,063)

During the year the Company made capital contributions to Proton Motor Fuel Cells GmbH of £6,622,000 (2018: £6,257,000) and to SPower GmbH of £nil (2018: £nil).

27. Risk management objectives and policies

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

- foreign exchange risk (note 28);
- credit risk (note 29); and
- liquidity risk (note 30).

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.

28. 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 2019		Year ended 31 December 2018	
	€'000	**£'000**	€'000	£'000
Financial assets	**1,748**	**1,479**	1,650	1,488
Financial liabilities	**(324,763)**	**(274,873)**	(112,381)	(101,335)
Short-term exposure	**(323,015)**	**(273,394)**	(110,731)	(99,847)

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 +/- 13.20% change of the Sterling/Euro exchange rate for the year ended at 31 December 2019 (2018: 6.87%). 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 13.20% (2018: 6.87%) then this would have had the following impact:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Net result for the year	**(36,088)**	(6,860)
Equity	**(36,088)**	(6,860)

If the Euro had weakened against Sterling by 13.20% (2018: 6.87%) then this would have had the following impact:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Net result for the year	**36,088**	6,860
Equity	**36,008**	6,860

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.

29. 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	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**1,028**	841	**2**	1
Trade and other receivables	**240**	408	**12**	21
Short-term exposure	**1,268**	1,249	**14**	22

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.

30. 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 2019, 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	472	-	-
Other short term financial liabilities	2,577	-	-
Lease debt	-	188	299
Borrowings and embedded derivatives on convertible loans	837	-	64,869

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	235	-	-
Other short term financial liabilities	1,533	-	-
Borrowings and embedded derivatives on convertible loans	177	-	58,098

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.

31. Financial instruments

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

As at 31 December 2019	**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	-	31	31	-	-	-
Property, plant and equipment	-	1,406	1,406	-	-	-
Right-of-use assets	-	478	478	-	-	-
Fixed asset investments	-	11	11	-	-	-
Inventories	-	2,408	2,408	-	-	-
Trade and other receivables	240	-	240	100	-	102
Cash and cash equivalents	1,028	-	1,028	2	-	2
	1,268	**4,334**	**5,602**	**104**	**-**	**104**

As at 31 December 2018	**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	-	72	72	-	-	-
Property, plant and equipment	-	1,203	1,203	-	-	-
Investment in subsidiary	-	7	7	-	-	-
Inventories	-	1,437	1,437	-	-	-
Trade and other receivables	408	-	408	138	-	138
Cash and cash equivalents	841	-	841	1	-	1
	1,249	**2,719**	**3,968**	**139**	**-**	**139**

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

As at 31 December 2019	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	3,049	-	-	3,049	165	-	-	165
Borrowings	65,706	-	-	65,706	65,706	-	-	65,706
Embedded derivatives on convertible loans	-	222,331	-	222,331	-	222,331	-	222,331
	68,755	**222,331**	**-**	**291,086**	**65,871**	**222,331**	**-**	**288,202**

As at 31 December 2018	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	1,768	-	-	1,768	202	-	-	202
Borrowings	58,275	-	-	58,275	58,098	-	-	58,098
Embedded derivatives on convertible loans		38,432	-	38,432	-	38,432	-	38,432
	60,043	**38,432**	**-**	**98,475**	**58,300**	**38,432**	**-**	**96,732**

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.

32. 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.

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Total liabilities	**291,573**	98,475	**287,364**	96,732
Less: cash and cash equivalents	**(1,028)**	(841)	**(2)**	(1)
Adjusted net debt	**290,545**	97,634	**287,362**	96,731

33. Ultimate controlling party

The Directors consider SFN Cleantech Investment Ltd to be the Ultimate Controlling Party at the date of approval of the financial statements. Dr. Faiz Nahab, Chief Executive, is connected to SFN Cleantech Investment Ltd.