7 May 2015

Proton Power Systems plc

("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 2014

Highlights:

- Fuel cell products available for go to market solutions from 3kW to 75kW for stationary, mobile and maritime applications
- Further investment has been made in setting up our manufacturing capability for up to 200 systems per annum in a single shift to meet our future demand expectations
- Completion of the development and successful testing of the new PM400 (25kW) fuel cell stack which is the basis of all our target markets
- The new PM Module S25 has been developed which can provide 25kW and is scalable in parallel operation for high power stationary applications
- Achievement of significant cost reductions for production of fuel cell stacks and systems reducing the cost per kW
- Collaboration with the Austrian government and integration companies for light duty vehicle fuel cell systems
- Successful finalisation of a special maritime feasibility study for a customer in Asia and starting the development project which is now planned for 2016 delivery
- Preparation of projects with international logistics providers for a battery/fuel cell delivery truck
- Preparing detailed plans with European bus manufacturers for a cost reduced hybrid electric bus with fuel cell range extender with our 25kW HyRange Solution for both bus and truck applications in Germany, Austria, Switzerland and France

- World record round trip from Munich to Berlin and back to Munich with our own Smith Newton vehicle equipped with Hybrid Battery/Fuel Cell System
- Containerised energy solution deployed with fuel cell Uninterruptable Power Supply system
- SPower is now fully integrated into the Proton Power organisation optimizing the working processes, with combined sales and technical teams for stationary power supply solutions with products selling in the market for UPS systems, solar storage systems and fuel cell systems for stationary power demand. Complete solutions are now offered in our go to market strategy.
- Successful development and testing of a 10kVA Solar Battery Storage System

Ian Peden, Chairman of Proton Power, commented: "The group has been investing and proving Fuel Cell solutions for 21 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 2014 is available from the companies website (www.protonpowersystems.com) and will be posted to shareholders shortly, together with notice of annual general meeting to be convened at the offices of Westhouse Securities, 110 Bishopsgate, London, EC2N 4AY at 11:00 a.m. on 3 June 2015.

Chairman and CEO's statement

We are pleased to report our results for the year ended 31 December 2014.

Business development

The Group is pleased to report the following achievements in 2014:

- Fuel cell products available for go to market solutions from 3kW to 75kW for stationary, mobile and maritime applications
- Further investment has been made in setting up our manufacturing capability for up to 200 systems per annum in a single shift to meet our future demand expectations
- Completion of the development and successful testing of the new PM400 (25kW) fuel cell stack which is the basis of all our target markets
- The new PM Module S25 has been developed which can provide 25kW and is scalable in parallel operation for high power stationary applications
- Achievement of significant cost reductions for production of fuel cell stacks and systems reducing the cost per kW
- Collaboration with the Austrian government and integration companies for light duty vehicle fuel cell systems
- Successful finalisation of a special maritime feasibility study for a customer in Asia and starting the development project which is now planned for 2016 delivery
- Preparation of projects with international logistics providers for a battery/fuel cell delivery truck
- Preparing detailed plans with European bus manufacturers for a cost reduced hybrid electric bus with fuel cell range extender with our 25kW HyRange Solution for both bus and truck applications in Germany, Austria, Switzerland and France
- World record round trip from Munich to Berlin and back to Munich with our own Smith Newton vehicle equipped with Hybrid Battery/Fuel Cell System
- Containerised energy solution deployed with fuel cell Uninterruptable Power Supply system
- SPower is now fully integrated into the Proton Power organisation optimizing the working processes, with combined sales and technical teams for stationary power supply solutions with products selling in the market for UPS systems, solar storage systems and fuel cell systems for stationary power demand. Complete solutions are now offered in our go to market strategy.
- Successful development and testing of a 10kVA Solar Battery Storage System

The world has identified hydrogen fuel cell applications as a core technology for transport and power supply of the future. Companies like Toyota and VW/Audi are investing heavily in fuel cell technology and Proton Power Systems is leading the development in applications that will enhance our quality of life for a sustainable future. We all need to redesign how we produce and consume energy and clean energy is becoming a must in industrialized societies.

We see strong interest and growing demand for various applications we offer and we continue to improve the operational performance with significant reductions in cost per kW. Our costs for fuel cell systems have dropped significantly and the technology and products are robust and reliable.

We are offering complete systems and solutions to our customers from 3kW to 75kW (in parallel operation >25kW) for maritime, stationary and mobile applications. It is essential to provide the customer with a full turnkey proposition that starts with consulting, simulation, packaging study, integration testing and final rollout with after care services and support.

The Group now has a complete portfolio of solutions across its market segments and our strategy is to sell directly in Europe and to establish licensing partners to manufacture solutions for the three target market applications: mobile, stationary and maritime systems in Asia Pacific. The Group provides support to its customers from first feasibility to simulation up to complete solutions with integration and after sales service. Benefits for our customers are:

- A fast integration process
- Fuel cell know how, we have the knowledge, capability and experience
- Continuous cost reductions evolution based on existing Proton Power technology.

Asia Pacific, as a target market, which is suffering severe pollution problems will require commitment from governments to take remedial action to improve the situation. We believe that the significant pollution problems in Asia will drive the demand for clean power applications for us in the near future. This will drive our technology. Therefore, China is an important market and we have established representatives in China to support our expectations. We see "Made in Germany" technology as highly respected with high demand within China. We started our first maritime project for AUVs in China and have ongoing discussions with major Chinese based companies for bus applications. We expect our first project for electric hybrid bus systems based on our fuel cell and hybrid technology in 2015.

Furthermore, we are seeing good progress in the market introduction of our products and solutions in Europe and are in discussion with several European bus manufacturers and logistic companies. We will launch our next electric battery fuel cell bus on the road with a bus manufacturer in the second half of 2015. For this project, we have applied to NOW in Germany (national hydrogen association) for specific funding.

Talks are also underway with a large international logistic company for electric battery fuel cell logistic vehicles, with a first test vehicle integration for Germany planned for 2015. Another collaboration project, funded by the Austrian Government is under progress with an Austrian based automotive supplier. We will be supplying our Range Extender System to be integrated in a passenger van.

Within the stationary power market, we see very positive interest for complete high power systems with electrolysers, hydrogen storage, re-powering with our fuel cell and connection to the load via our UPS systems. There is also strong interest in the containerised solutions the Group offers for large solar and wind parks from Europe, Africa and China. The Group is currently working with different suppliers in Europe for the supply of electrolysers. Our modular fuel cell design based on our 25kW modules allows us to provide high power delivery up to several megawatts.

We have achieved our development targets for 2014: systems have been tested in depth, reliability and the lifetime in use for our fuel cell stacks is now proven for the market.

As the Group sees the increased market demand we will continue our investment with our manufacturing capability and we are now ready to assemble up to 200 systems per annum based on one shift for mobile or stationary applications.

The Group's product strategy includes:

- Modular stationary power of 5kW, 25kW and >50kW for IT, Smart Grid (Solar-and Windparks) and industrial applications
- A modular Range Extender (HyRange) for light duty commercial vehicles and city buses of 8kW and 25kW/50kW or 75kW
- Maritime modular fuel cell systems of 25kW and above for high power applications

A. Fuel cell stack production and development:

The Group designs and manufactures fuel cell stacks which is at the heart of all fuel cell applications. During 2014, the Group further improved the existing stack design (PM200) with 8kW and successfully completed the development of the new stack design (PM400) which generates 30kW to 60kW of net power. The Group now has the full complement for 3kW to 60kW solutions.

1. **PM200 fuel cell stack generation (3kW to 8kW)**
   We continue our cost reduction activities within this successful range. We have improved the reliability for prolonged operational activity for our customers**.**

2. **PM400 fuel cell stack generation (up to 60kW)**
   The PM400 platform was further extended to a power range of 60kW. We have continued to improve the operational performance with significant reductions in cost per kW. This product forms the basis of all our target market segments, namely mobile applications (buses and light duty vehicles), maritime applications (tourist/ferry boats and auxiliary power supply) and stationary applications in our UPS and smart grid product range.

B. Systems:

The Group offers complete systems and solutions to its customers. It is essential to provide the customer with a full turnkey proposition that starts with consulting, simulation, packaging study, integration testing and final rollout with after care services and support. The modular approach for the fuel cell products allows the utilisation of similar components for different market segments.

1. Mobility - buses and light duty vehicles

During the year the Group has completed the development of the HyRange 25 system. This generates a powerful 25kW for buses and light duty vehicles. The product is modular so can be utilised in parallel creating a system of up to 75kW. This product will address our target markets specifically in Asia which is suffering severe pollution problems. We are also making good progress for our solutions in Europe, and we are in discussions with several bus manufacturers and logistic companies.

2. Mobility - maritime segment

In the maritime sector we have built on our successful implementation of the Alsterwasser tourist boat system in Hamburg. It has been in continuous day-to-day operation since 2008 and has transported over 60,000 passengers. Based on this successful project, we are receiving request for concepts for different types of boats powered by fuel cell systems, including:

- yachts;
- underwater AUVs;
- tourist boats.

We expect increased adoption of fuel cell technology for maritime applications as demand for quiet and emission free operation is growing and the technology has shown reliability in day-to-day operations.

The feasibility study with Chinese ship builders is on the way to being finalized in the first half of 2015. As it is a very complex system, it has taken more time than expected. Within the framework of the project, we will also design a unique storage solution for liquid gas which is a unique solution within the industry. A follow up order for the development of the solution is expected.

The market for AUVs worldwide is large and fast growing.

3. Stationary segment

The Group is seeing growing demand for safe power specifically in data centres, telecom and grid applications. The combination of fuel cell products and UPS allows a complete solution. These can be delivered as single components, in cabinets or containerised. Standardised fuel cell modules allow scalable power usage for high power applications. Each 25kW can be used in parallel for higher power demand. We have developed the PM Module 25, an outdoor energy container with 5kW or 25kW output as options, which was introduced to the market in late summer 2014. The container can provide UPS power with significant backup times.

We are working with a semi-conductor manufacturer to utilise their processed hydrogen for their own internal power requirements. This is a complex manufacturing process we have developed a turnkey solution to utilise wasted hydrogen that would normally be released into the environment into electrical energy. We are seeing significant market demand for these turnkey solutions. There is large worldwide demand for similar applications. We are planning a first test application in the second half of 2015.

AREVA presented our PM Module 5 together with their electrolyser and LOHC Hydrogen storage device. The plan is to use a special application of our module together with their system. In the future, such a system can be used for energy storage to balance grids and repower on demand.

We have released a new 10kW battery solar storage system during 2014, which, in connection with a solar system, allows the generation of enough power for a family home or small business. It makes the household nearly independent from grid power supply. Although the markets for solar storage has developed more slowly than we expected, we now see large demand for those applications in the near future, based on rising energy cost and the requirement for clean energy generation and storage.

Finance

Turnover increased by 27% to £1,411,000. The operating loss for the year was £6,181,000 which, when added to net finance costs of £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 £2,696,000 resulted in a total loss of £10,138,000 (2013: £9,267,000). Excluding the fair value loss on the embedded derivative, this was in line with management expectations.

The Group secured further loan funding in 2014 of €5,550,000 from Roundstone Properties Limited and €500,000 from Mr Falih Nahab. It also received grant funding of €135,000 from the German Government.

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.

Outlook

Proton Power has made great progress in 2014 and is seeing significant interest for our solutions in all of our market segments, and our objective is to expand volume manufacturing with industrial partners based on licensing agreements. The Board can proudly state, that Proton Power now has technically proven products and a go to market solution portfolio. Also, we have in place enhanced production facilities and continue to expand our worldwide sales and marketing activities. The unique know how and positioning of Proton Power underlines the high expectation of business development. Together with continuous cost reductions, driving down the cost per kW is our foundation for growth and success of our technology in the world markets.

Targets for 2015 are:

- First orders from Asia Pacific for our products and solutions
- Orders for buses with our new HyRange system in Europe
- Orders for HyRange systems for logistic vehicles
- Further strengthening of our product platform
- Growing capability with our team with highly qualified staff.

The Directors are confident with the outlook of the business and has secured future finance to meet future commitments.

On behalf of the Board we would like to take this opportunity to thank the Proton Power team, shareholders and our advisors for their hard work and effort as well as our customers and suppliers for their confidence and support throughout the year.

Ian Peden FCMA	**Dr Faiz Nahab**
Chairman	*CEO*

Consolidated income statement
for the year ended 31 December 2014

	Note	**2014**	2013
		£'000	£'000
Revenue	*4*	**1,411**	1,114
Cost of sales		**(4,635)**	(4,735)
Gross loss		**(3,224)**	(3,621)
Other operating income		**93**	26
Administrative expenses		**(3,050)**	(1,301)
Operating loss		**(6,181)**	(4,896)
Finance income		**7**	1
Finance costs		**(1,268)**	(829)
Fair value loss on embedded derivatives		**(2,696)**	(3,543)
Loss for the year before tax	*5*	**(10,138)**	(9,267)
Tax	*8*	-	-
Loss for the year after tax		**(10,138)**	(9,267)
Loss per share (expressed as pence per share)			
Basic	*9*	**(1.6)**	(1.5)
Diluted	*9*	**(1.6)**	(1.5)

Consolidated statement of comprehensive income

	2014	2013
	£'000	£'000
Loss for the year	**(10,138)**	(9,267)
Other comprehensive (expense) / income		
Items that may not be reclassified to profit and loss		
Exchange differences on translating foreign operations	**(26)**	99
Total other comprehensive (expense) / income	**(26)**	99
Total comprehensive expense for the year	**(10,164)**	(9,168)
Attributable to equity holders of the parent	**(10,164)**	(9,168)

Balance sheets
as at 31 December 2014

		Group		Company	
	Note	**2014**	2013	**2014**	2013
		£'000	£'000	**£'000**	£'000
Assets					
Non-current assets					
Intangible assets	*10*	**64**	2,219	**-**	-
Property, plant and equipment	*11*	**672**	650	**-**	-
Investment in subsidiary undertakings	*12*	**-**	-	**-**	1,937
		736	2,869	**-**	1,937
Current assets					
Inventories		**312**	426	**-**	-
Trade and other receivables	*13*	**341**	230	**47**	67
Cash and cash equivalents	*14*	**180**	392	**-**	-
		833	1,048	**47**	67
Total assets		**1,569**	3,917	**47**	2,004
Liabilities					
Current liabilities					
Trade and other payables	*15*	**782**	1,152	**171**	83
Borrowings	*16*	**262**	280	**-**	-
		1,044	1,432	**171**	83
Non-current liabilities					
Borrowings	*16*	**16,782**	11,711	**16,782**	11,711
Embedded derivatives on convertible interest	*17*	**6,622**	3,771	**6,622**	3,771
		23,404	15,482	**23,404**	15,482
Total liabilities		**24,448**	16,914	**23,575**	15,565
Net liabilities		**(22,879)**	(12,997)	**(23,528)**	(13,561)
Equity					
Equity attributable to equity holders of the Parent Company					
Share capital	*19*	**9,695**	9,679	**9,695**	9,679
Share premium		**18,298**	18,224	**18,298**	18,224
Merger reserve		**15,656**	15,656	**15,656**	15,656
Reverse acquisition reserve		**(13,862)**	(13,862)	**-**	-
Share option reserve		**971**	779	**971**	779
Foreign translation reserve		**5,598**	5,144	**-**	-
Capital contributions		**1,065**	1,137	**-**	-
Accumulated losses		**(60,300)**	(49,754)	**(68,148)**	(57,899)
Total equity		**(22,879)**	(12,997)	**(23,528)**	(13,561)

Statements of changes in equity

Group	Share Capital	Share Premium	Merger Reserve	Reverse Acquisition Reserves	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 2013	**9,672**	**18,211**	**15,656**	**(13,862)**	**608**	**4,716**	**1,113**	**(40,134)**	**(4,020)**
Share based payments	-	-	-	-	171	-	-	-	171
Proceeds from share issues	7	13	-	-	-	-	-	-	20
Currency translation differences	-	-	-	-	-	329	24	(353)	-
Transactions with owners	**7**	**13**	**-**	**-**	**171**	**329**	**24**	**(353)**	**191**
Loss for the year	-	-	-	-	-	-	-	(9,267)	(9,267)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	99	-	-	99
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**99**	**-**	**(9,267)**	**(9,168)**
Balance at 31 December 2013	**9,679**	**18,224**	**15,656**	**(13,862)**	**779**	**5,144**	**1,137**	**(49,754)**	**(12,997)**
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)**

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 2013	**9,672**	**18,211**	**15,656**	**608**	**(37,671)**	**6,476**
Proceeds from share issues	7	13	-	-	-	20
Share based payments	-	-	-	171	-	171
Transactions with owners	**7**	**13**	**-**	**171**	**-**	**191**
Loss for the year	-	-	-	-	(20,228)	(20,228)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(20,228)**	**(20,228)**
Balance at 31 December 2013	**9,679**	**18,224**	**15,656**	**779**	**(57,899)**	**(13,561)**
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)**

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 2014

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Cash flows from operating activities				
Loss for the year	**(10,138)**	(9,267)	**(10,249)**	(20,227)
Adjustments for:				
Depreciation and amortisation	**2,415**	251	**-**	-
Impairment of investment	**-**	-	**6,873**	15,793
Loss on disposal of property, plant and equipment and intangible assets	**11**	1	**-**	-
Interest income	**(7)**	(1)	**(22)**	(14)
Interest expenses	**1,268**	829	**1,256**	818
Share based payments	**192**	190	**192**	190
Movement in inventories	**114**	(135)	**-**	-
Movement in trade and other receivables	**(111)**	53	**20**	3
Movement in trade and other payables	**(295)**	(1,643)	**166**	18
Movement in fair value of embedded derivatives	**2,696**	3,543	**2,696**	3,543
Effect of foreign exchange rates	**(868)**	(106)	**(840)**	(17)
Net cash (used in) / generated from operations	**(4,723)**	(6,285)	**92**	107
Interest paid	**(34)**	(20)	**-**	(16)
Net cash (used in) / generated from operating activities	**(4,757)**	(6,305)	**92**	91
Cash flows from investing activities				
Capital contribution to subsidiaries	**-**	-	**(4,936)**	(6,543)
Purchase of intangible assets	**(28)**	(65)	**-**	-
Purchase of property, plant and equipment	**(313)**	(218)	**-**	-
Interest received	**7**	1	**22**	14
Net cash used in investing activities	**(334)**	(282)	**(4,914)**	(6,529)
Cash flows from financing activities				
Proceeds from issue of loan instruments	**4,886**	6,790	**4,886**	6,435
Settlement of loan instruments	**-**	-	**(76)**	-
Proceeds from issue of new shares	**12**	-	**12**	-
Net cash generated from financing activities	**4,898**	6,790	**4,822**	6,435
Net increase/(decrease) in cash and cash equivalents	**(193)**	203	**-**	(3)
Effect of foreign exchange rates	**(19)**	1	**-**	-
Cash acquired on acquisition	**-**	3	**-**	-
Opening cash and cash equivalents	**392**	185	**-**	3
Closing cash and cash equivalents	**180**	392	**-**	-

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 2015.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 December 2014 or 31 December 2013. Statutory accounts for the year ended 31 December 2013 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2014 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditors have reported on the 2014 and 2013 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 2014 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 2014.

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 a loan with Roundstone for €2,383,000 which is due for repayment in July 2016. During the year, the group combined certain other existing loans with Roundstone Properties Limited into a new loan agreement to provide total facilities of €16,500,000, repayable in May 2017.

Roundstone has provided the directors with a letter of support as follows "It is Roundstone Properties Limited's intention to provide financial support to ensure the continued trading of Proton Power Systems plc and its subsidiaries for the next twelve months. At this point in time there has been no indication of circumstances which would lead to withdrawing the support". Roundstone Properties Limited, is registered in the British Virgin Islands ("BVI") and as such is not subject to the requirement for have publicly available audited accounts. Roundstone is a related party of the group.

In December 2014, a further loan agreement was entered into with Falih Nahab to provide €10,000,000, repayable in December 2017. As at 31 December 2014, €500,000 had been drawn on this facility. Mr Falih Nahab has provided the directors with a letter of support as follows "It is my intention to provide financial support to ensure the continued trading of Proton Power Systems plc and its subsidiaries for the next twelve months. At this point in time there has been no indication of circumstances which would lead to withdrawing the 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 audited accounts or other available financial information, the directors are unable to confirm that either Roundstone or Falih Nahab have 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 Roundstone has supported the Group and the Company extensively in recent years, that funding has been agreed by Falih Nahab for at least the next 12 months, and that the Directors have no reason to doubt that Roundstone or Falih Nahab will not continue to provide funding.

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 non-current assets are located in Germany.

Revenue from external customers

	2014	2013
	£'000	£'000
Germany	**887**	843
Rest of Europe	**200**	259
Rest of the world	**324**	12
	1,411	1,114

Siemens AG represented 49.0% of the Group's revenue in 2014 (2013: 40.8%).

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 (2013: loss) on the fair value of the embedded derivative of £2,696,000 (2013: £3,543,000) and the associated impact on the balance sheet.

5. Loss for the year before taxation

	2014	2013
	£'000	£'000
Loss on ordinary activities before taxation is stated		
after charging		
Depreciation and amortisation	**289**	252
Impairment of goodwill in SPower Group	**2,126**	-
Hire of other assets - operating leases	**199**	214
Pension contributions	**63**	47
Change in fair value of embedded derivatives	**2,696**	3,543
after crediting		
Foreign exchange gains	**(723)**	(106)
Amortisation of grants from public bodies	**(106)**	(230)

6. Auditors' remuneration

	2014	2013
	£'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:

	2014	2013
Development and construction	**45**	43
Administration and sales	**25**	22
	70	65

The aggregate payroll costs of these persons were as follows:

	Group	
	2014	2013
	£'000	£'000
Wages and salaries	**2,729**	2,779
Share based payments	**193**	170
Social security costs	**508**	502
Other pension costs	**65**	47
	3,495	3,498

Share based payments

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

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Share options	**193**	170	**41**	37
Shares	**20**	20	**20**	20
	213	190	**61**	57

Details of share options granted during 2014 are disclosed in the Annual Report. 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 2014 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 10 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:

	2014		2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		£		£
Opening balance	**58,015,000**	**0.041**	51,015,000	0.043
Granted	**7,350,000**	**0.061**	7,000,000	0.020
Exercised	**(400,000)**	**(0.030)**	-	-
Forfeited	**(1,680,000)**	**(0.036)**	-	-
Closing balance	**63,285,000**	**0.043**	58,015,000	0.041

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 2 months *(2013: 7 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

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

	Group	
	2014	2013
	£'000	£'000
Short-term employee benefit	**219**	244
Share-based payment charge	**105**	116
	324	360

The Group has no key management other than Directors.

8. Taxation

Due to losses within the Group, no expenses for tax on income were required in either the current or prior periods.

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:

	2014	2013
	£'000	£'000
Tax reconciliation		
Loss before tax	**(10,138)**	(9,267)
Expected tax credit at 21.5 % (2013: 23.25%)	**(2,180)**	(2,154)
Effects of different tax rates on foreign subsidiaries	**(310)**	(223)
Expenses not deductible / income not chargeable for tax purposes	**1,941**	1,128
Tax losses carried forward	**549**	1,249
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.

	2014		2013	
	Basic	**Diluted**	Basic	Diluted
	£'000	**£'000**	£'000	£'000
Loss attributable to equity holders of the Company	**(10,138)**	**(10,138)**	(9,267)	(9,267)
Weighted average number of ordinary shares in issue (thousands)	**640,865**	**640,865**	639,919	639,919
Effect of dilutive potential ordinary shares from share options and convertible debt (thousands)	**-**	**-**	-	-
Adjusted weighted average number of ordinary shares	**640,865**	**640,865**	639,919	639,919
	Pence per share	**Pence per share**	Pence per share	Pence per share
Loss per share (pence per share)	**(1.6)**	**(1.6)**	(1.5)	(1.5)

10. Intangible assets - Group

	Goodwill	Copyrights, trademarks and other intellectual property rights	Development costs	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2013	-	161	1,328	1,489
Exchange differences	-	1	29	30
Additions	2,126	65	-	2,191
Acquisitions	-	44	-	44
At 31 December 2013	**2,126**	**271**	**1,357**	**3,754**
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**
Accumulated Amortisation				
At 1 January 2013	-	111	1,328	1,439
Exchange differences	-	1	29	30
Charged in year	-	39	-	39
Acquisitions	-	27	-	27
At 31 December 2013	**-**	**178**	**1,357**	**1,535**
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**
Net book value				
At 31 December 2014	**-**	**60**	**4**	**64**
At 31 December 2013	2,126	93	-	2,219
At 1 January 2013	-	50	-	50

Self-developed intangible assets in the amount of £28,000 (2013: £65,000) 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.

10. Intangible assets - Group

Goodwill relates to SPower Group and is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill is tested for impairment by estimating future cash flows from the cash generating units to which goodwill has been allocated and discounting these cash flows to their present value. Each unit to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The key assumptions in this calculation are in respect of discount rates used and the change in cash flows. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the cash generating unit.

Cash flows are estimated using the most recent budget information for the year to December 2015 and the latest forecasts up to December 2019, which has been approved by the Board and extrapolates perpetuity cash flows based on an estimated growth rate of 2%. The pre-tax discount rate used to discount the forecast cash flows is 15%.

The Directors consider the assumptions adopted in calculating the cash flows to be reasonable given current market conditions and expectations for the future performance of the business.

Based on the latest forecasts the goodwill has been impaired in full.

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 2013	379	1,096	628	16	2,119
Exchange differences	8	34	11	-	53
Additions	30	97	37	54	218
Acquisitions	-	-	84	-	84
Transfers	-	17	-	(17)	-
Disposals	-	(1)	(27)	-	(28)
At 31 December 2013	**417**	**1,243**	**733**	**53**	**2,446**
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**
Accumulated Depreciation					
At 1 January 2013	116	832	562	-	1,510
Exchange differences	2	28	10	-	40
Charge for year	37	129	47	-	213
Acquisitions	-	-	60	-	60
Disposals	-	(1)	(26)	-	(27)
At 31 December 2013	**155**	**988**	**653**	**-**	**1,796**
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**
Net book value					
At 31 December 2014	**280**	**136**	**71**	**185**	**672**
At 31 December 2013	262	255	80	53	650
At 1 January 2013	263	264	66	16	609

12. Investment in subsidiary undertaking

	2014	2013
Company	**£'000**	£'000
Shares in Group undertaking		
Cost		
At beginning of year	**46,821**	40,278
Additions	**4,936**	6,543
At end of year	**51,757**	46,821
Impairment		
At beginning of year	**44,884**	29,091
Charge for the year	**6,873**	15,793
At end of year	**51,757**	44,884
Net book value		
At end of year	**-**	1,937

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 (2013: charge) in the year of £6,873,000 (2013: £15,793,000) 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	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Trade receivables	**308**	206	**-**	-
Other receivables	**17**	13	**3**	1
Amounts due from group companies	**-**	-	**35**	55
Prepayments and accrued income	**16**	11	**9**	11
	341	230	**47**	67

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	
	2014	2013
	£'000	£'000
Not more than three months (all denominated in Euros)	**134**	42

14. Cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**180**	392	-	-

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

15. Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Trade payables	**202**	443	**23**	6
Other payables	**92**	264	**-**	2
Accruals and deferred income	**488**	445	**148**	75
	782	1,152	**171**	83

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

16. Borrowings

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Loan				
Current	**262**	280	**-**	-
Non-current	**16,782**	11,711	**16,782**	11,711
Current and total borrowings	**17,044**	11,991	**16,782**	11,711

During the year 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 are 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 is 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 2014 total advances under this facility were €500,000. Mr Falih Nahab is the brother of Mr Faiz Nahab, a director of the Company and both are treated as related.

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.

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	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Embedded derivatives on convertible interest	**6,622**	3,771	6,622	3,771

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 £9,731,000 (2013: £9,182,000) in respect of losses amounting to £3,661,000 (2013: £4,232,000) and €43,112,000 (2013: €37,380,000).

19. Share capital

The share capital of Proton Power Systems plc consists of fully paid Ordinary shares with a par value of £0.01 (2013: £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 5 February 2014 330,682 ordinary shares of 1p each were issued each at a price of 6p per share in settlement of a supplier's invoice.

On 13 February 2014 291,462 ordinary shares of 1p each were issued each at a price of 6p per share in settlement of a supplier's invoice.

On 4 April 2014 166,222 ordinary shares of 1p each were issued each at a price of 7.4p per share in settlement of a supplier's invoice.

On 16 June 2014 100,000 ordinary shares of 1p each were issued each at a price of 3p per share for cash in settlement of share options exercised.

On 9 July 2014 169,972 ordinary shares of 1p each were issued each at a price of 7.01p per share in settlement of a supplier's invoice.

On 1 October 2014 240,490 ordinary shares of 1p each were issued each at a price of 6.75p per share in settlement of a supplier's invoice.

On 8 October 2014 300,000 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 641,517,561 (2013: 639,918,733) Ordinary shares of 1p each (2013: 1p each) and 327,963,452 (2013: 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.

	2014				2013			
	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	**639,919**	**6,399**	**327,963**	**3,280**	639,239	6,392	327,963	3,280
Share issue	**1,599**	**16**	**-**	**-**	680	7	-	-
	641,518	**6,415**	**327,963**	**3,280**	639,919	6,399	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:

	2014		2013	
	Land and buildings	**Other**	Land and buildings	Other
Group	**£'000**	**£'000**	£'000	£'000
Operating leases which expire:				
Within one year	**343**	**-**	169	-
In the second to fifth years inclusive	**415**	**-**	628	-
After more than five years	**-**	**-**	-	-
	758	**-**	797	-

21. Related party transactions

During the year ended 31 December 2014 the Group and Company entered into the following related party transactions:

	Group		**Company**	
	Year ended 31 December		**Year ended 31 December**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
(Expenses) / Income				
Roundstone Properties Limited effective loan interest	**(1,215)**	(786)	**(1,215)**	(786)
Roundstone Properties Limited other loan interest	**(41)**	(32)	**(41)**	(32)
Thomas Melzcer	**2**	1	**-**	-
Helmut Gierse	**(20)**	(20)	**(20)**	(20)
Team B Partners LLP	**(14)**	-	**(14)**	-

At 31 December 2014 the Group and Company had the following balances with related parties:

	Group		Company	
	Year ended 31 December		**Year ended 31 December**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Amounts due (to) / from				
Roundstone Properties Limited borrowings and embedded derivatives (see Notes 16 and 17)	**(23,007)**	(15,482)	**(23,007)**	(15,482)
Roundstone Properties Limited interest accrual	**(73)**	(32)	**(73)**	(32)
Roundstone Properties Limited loans to SPower	**(262)**	(280)	**-**	-
Falih Nahab	**(397)**	-	**(397)**	-
Thomas Melzcer	**62**	26	**-**	-
Team B Partners LLP	**(3)**	-	**(3)**	-

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 £4,936,000 (2013: £4,606,000) and to SPower of £nil (2013: £1,937,000).

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 2014		Year ended 31 December 2013	
	€'000	**£'000**	€'000	£'000
Financial assets	**420**	**329**	260	217
Financial liabilities	**(30,971)**	**(24,240)**	(20,133)	(16,830)
Short-term exposure	**(30,551)**	**(23,911)**	(19,873)	(16,613)

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 +/- 7.04% change of the Sterling/Euro exchange rate for the year ended at 31 December 2014 (2013: 6.28%). 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 7.04% (2013: 6.28%) then this would have had the following impact:

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
Net result for the year	**(1,683)**	(1,043)
Equity	**(1,683)**	(1,043)

If the Euro had weakened against Sterling by 7.04% (2012: 6.28%) then this would have had the following impact:

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
Net result for the year	**1,683**	1,043
Equity	**1,683**	1,043

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**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**180**	392	**-**	-
Trade and other receivables	**325**	219	**-**	-
Short-term exposure	**505**	611	**-**	-

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 2014, 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	202	-	-
Other short term financial liabilities	92	-	-
Borrowings and embedded derivatives on convertible loans	-	262	16,782

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	443	-	-
Other short term financial liabilities	264	-	-
Borrowings and embedded derivatives on convertible loans	-	280	11,711

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 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	37	10	47
Cash and cash equivalents	180	-	180	-	-	-
	505	**1,064**	**1,569**	**37**	**10**	**47**

As at 31 December 2013	**Group**			**Company**		
	Loans and receivables	Non-financial assets / financial assets not in scope of	Total	Loans and receivables	Non-financial assets / financial assets not in scope of	Total

		IAS 39			IAS 39	
	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	-	2,219	2,219	-	-	-
Property, plant and equipment	-	650	650	-	-	-
Investment in subsidiary	-	-	-	-	1,937	1,937
Inventories	-	426	426	-	-	-
Trade and other receivables	219	11	230	56	11	67
Cash and cash equivalents	392	-	392	-	-	-
	611	3,306	3,917	56	1,948	2,004

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

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**

As at 31 December 2013	**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	1,152	-	-	1,152	83	-	-	83
Borrowings	11,991	-	-	11,991	11,711	-	-	11,711
Embedded derivatives on convertible loans	-	3,771	-	3,771	-	3,771	-	3,771
	13,143	3,771	-	16,914	11,794	3,771	-	15,565

Fair values

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.