redT energy plc

Annual Report and Financial Statements
Jersey registered 92432
31 December 2018

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Executive chairman’s report

As your new Executive Chairman, I see my main objective as delivery on the Strategic Review we announced in March. I am pleased to report that we have held constructive discussions with various groups and these parties have conducted key due diligence. I believe we now have routes forward to achieving our key target, namely a properly financed group which is well set to exploit the market opportunities.

I myself have had more time to spend in the business and would wish to record my confidence in the capabilities we have, the quality of our staff and the size of the addressable market, which is still in its infancy.

The short-term market headwinds have eased. The fall in the vanadium price to more normalised levels is helpful and developments within the industry are also taking place whereby electrolyte rental agreements will remove this uncertainty. We have also faced a period of regulatory stability in major European markets which has allowed project developers to establish their plans.

During 2018, we were focussed on scaling our operations and gaining commercial momentum through the delivery of our Generation 2 (“Gen 2”) machines to customers. However, delays in winning orders and consequent limited revenues have left us behind schedule in the delivery of our business plan. As a Board, we have addressed this by sharpening our strategic focus, implementing Board changes and renewing our efforts on delivering projects. I appreciate the patience and support of our staff and existing shareholders over the last 12 months.

We are beginning to see the benefits of the teams’ efforts and in recent months have been able to announce a number of successful developments:

- the divestment of our legacy Camco US business in April 2019, resulting in a net cash benefit of US$1m;
- the formation of a partnership with Norwegian state utility, Statkraft, in March 2019 to offer a fully financed solar plus storage solution to the UK C&I sector via a power purchase agreement (PPA) structure;
- the signing of a purchase agreement to supply flow machines to the 5MWh, UK grid, Energy Superhub Oxford project.

The Strategic Review process, launched on 14 March 2019, is progressing well and there are ongoing advanced discussions with a number of potential investors. Based on current forecasts, the Board estimates the Group requires at least £10m of investment to reach a scale where it becomes cash generative, forecast to be in the second half of 2021. Despite these positive developments it is not certain that the Group will be able to secure the investment required before current cash reserves run out (as detailed in the Strategic Review and Board Changes below), creating a material uncertainty that casts significant doubt about the Group’s ability to continue as a going concern. However, based on the ongoing discussions, the Board is optimistic that the Group will secure the necessary funding in the appropriate time scale.

Our strategy

Whilst recognising the challenges facing us, our strategy remains unaltered. It is our aim to provide economic, energy storage infrastructure, based on our advanced 3rd generation (“Gen 3”) vanadium redox flow technology, enabling the further penetration of renewable energy into the energy system and capitalising on the opportunities presented by the inevitable global energy transition.

Our modular, containerised vanadium flow machines give clients flexibility in a new and evolving energy industry. The modularised approach, along with the long life and heavy-cycling characteristics, of our vanadium flow machines addresses the need for sustainability and provides a route to lower costs over the 20 year plus projects we are targeting.

The market

2018 saw the stationary energy storage market continue to grow rapidly, even exceeding previous strong growth expectations. In line with this outlook, Bloomberg New Energy Finance (BNEF) significantly increased its forecast for investment in the sector, predicting an inflow of more than US$620bn between 2018 and 2040 with a cumulative deployment of nearly 3TWh globally.

Driven by decreasing costs of solar and wind powered generation, coupled with rising commercial energy prices and wholesale market volatility, much of this growth is expected to be focussed within grid-scale energy storage and commercial and industrial (C&I) scale applications. With our new Gen 3 product now launched and ready for delivery to our first customer site, and production about to commence for our first large grid scale project in the UK, our product offering is well positioned to capture the growing market opportunity for heavy-cycling energy storage infrastructure.

Operational review

2018 was focussed on the delivery of a significant number (2.3MWh, equating to 38 redT tank units) of machines to customers in the UK, EU, Australia, Asia and sub-Saharan Africa. In June 2018, we also launched the new Gen 3 product into key market segments. This product is designed to form a foundation on which the company can grow towards becoming cash-generative.

In the course of the year, the redT team faced a number of challenges, including an unprecedented spike in the price of vanadium and a number of significant policy changes, especially in the UK and German markets. These served to create uncertainty and undermine short-term confidence across the industry, which has manifested in project delays and protracted decision making by market participants. I am delighted with the way in which the team has been able to address these obstacles and rework project proposals to maintain commercial viability in a difficult market environment.

Strategic review and board changes

In October 2018, the Group completed a £5m fundraise to fund working capital to progress delivery of the existing order pipeline and announced it was seeking one or more strategic partners to support and fund the further development of the Group as it moves towards becoming cash generative. Unfortunately, despite reaching detailed negotiations with a potential partner, strategic investment was not forthcoming within the timeframe dictated by the Group’s financial position. Consequently, in March 2019, we launched a formal Strategic Review process, implemented a range of cost cutting measures and raised £3.2m by way of a placing and open offer to fund the process.

Changes were also made to the Board, which included my appointment as Executive Chairman with a mandate to deliver the Strategic Review process. Jeff Kenna stepped down as Chairman but remains on the Board and is providing valuable assistance in moving the business forward. Finally, Scott McGregor stepped down from the Board but remains as CEO of the business running day to day operations.

With the Placing and Open Offer approved by shareholders at the General Meeting on 9 April 2019 providing short term funding, the Board is now focussed on completing the Strategic Review, the aim of which is to secure the long-term future of the business.

At the time of writing this report, the cash reserves of the Group were £3.4m. The Group's latest cash flow forecasts indicate that, without further funding, these will run out in November 2019. Unless additional funding is obtained by then the Group would have no option but to cease trading.

Commercial review

There have been a number of key commercial developments during 2018:

German grid-scale project portfolio

In July 2018, redT signed an exclusivity agreement to co-develop, alongside the original developer, a large portfolio of grid-scale, vanadium flow, energy storage projects in Germany which aim to support the national, interconnected electricity network by bidding into the Secondary Control Reserve ("SCR") market. Having received a conditional commitment letter from a financial investor in September 2018 to fully finance the first project, there was a change in the SCR bidding mechanism. This necessitated additional analysis to assess the impact of the modifications. In March 2019, the Group announced that it had redesigned the proposed solution into a vanadium flow and gas engine hybrid installation to accommodate the changes to the bidding mechanism. The redesigned first project now consists of 8MWh of redT flow machines (200 units) hybridised with 32MW of low-cycling gas engines. This solution is applicable across the entire portfolio and is currently being reviewed by the finance partner with a view to progressing towards financial close.

First Gen 3 Sale to Anglian Water

In August 2018, the Group received its first order for a Gen 3 machine from one of the UK's largest water companies, Anglian Water. The 60kW, 300kWh (4 units) machine will be used to reduce energy costs at one of Anglian Water's sites in the East of England by allowing almost three times more solar PV generation to be installed and utilised at the site. Alongside the initial machine order, redT and Anglian Water also signed a collaboration agreement to optimise solar plus storage as a solution across their wider portfolio of sites in the UK.

In March 2019 the manufacture of this first machine was completed and is currently undergoing testing whilst confirmation on site preparation is awaited from the customer.

Battery Storage Framework agreement for the UK public sector

In September 2018 the Group was awarded a place on the Essentia Battery Storage Framework, pre-qualifying it to supply energy storage solutions to Essentia's extensive portfolio of UK public sector clients. There was no financial impact from this framework agreement in 2018 and none currently forecast in 2019, however we continue to explore material opportunities to deploy machines across the public sector and, via the Framework, have presented a number of energy storage solutions to Essentia's public sector customers.

In 2019, the Group has made further commercial achievements, including:

Solar plus storage partnership with Statkraft

In March 2019, the Group signed a heads of terms partnership with Norwegian state utility company, Statkraft, to provide a fully financed solar plus storage solution to UK C&I customers. This is the first time a solar plus storage product, financed under a PPA model, has been offered to the UK market. The partnership aims to roll out approximately 100MWp of PV and 60MWh of redT flow machines (800 units) to the UK market over the next 3 years.

Executive Chairman's Report (continued)

Energy Superhub Oxford – redT's first large, UK grid project

In March 2019 the Group signed an agreement as a member of a consortium set up to deliver a £41m, 50MW, grid-connected, vanadium flow / lithium-ion hybrid energy storage system in Oxford, UK. redT will supply and install 5MWh (72 units) of vanadium redox flow machines together with ancillary components. The project will be the largest deployment of flow machines in the UK and will be the largest vanadium flow / lithium-ion hybrid energy storage system globally. The project is scheduled for delivery across 2019 and 2020.

As at 31 May 2019, the Group estimates its weighted sales opportunity pipeline to be circa £199m (March 2019: £145m), determined as detailed in the table below. These estimates do not represent forecasts of the future financial performance of the Group.

Deal Stage of Project	Gross[1]	Weighted[1]	Average Expected Conversion Rate
Project Development	£45m (1,379 units[2])	£27m (835 units)	60%
Quoted	£55m (4,414 units)	£14m (1,178 units)	26%
Early stage	£1,107m	£158m	14%
Total	**£1,207m**	**£199m**	**16%**

1. The "gross" amounts in the above table are extracted from the Group's customer relationship management (CRM) system which tracks the progress and status of live commercial sale enquiries. The "weighted" figures are calculated by applying a probability weighting to the gross value of each enquiry based on management's estimate of the likelihood that an enquiry will result in a firm order at some point in the future. The probability weighting does not take into account the timing of when an enquiry might become an order. Management uses the following broad guidelines when allocating probability weightings:

Remote	0-10%
Possible	10-40%
Reasonably likely	40-60%
Probable	60-90%

2. As redT storage machines come in various sizes, the Group uses "units" as a common measure to quantify volumes of machines. The different size storage machines consist of a number of "units" which typically have a 15kW power/75 kWh energy storage capacity. These capacities may, however, vary from application to application.

This pipeline excludes the recent 72 unit Energy Superhub Oxford project win, as this is considered an order.

Outlook and progress

I have been impressed by the significant step forward we have made in the design and manufacturing processes of the latest Gen 3 units and remain optimistic about the Group and its people's ability to succeed in a market that is forecast to drive fundamental, positive change in our energy system in the years to come.

Right now, our immediate focus continues to be the satisfactory conclusion of the Strategic Review process, which is essential to provide the funding and support the Group requires in the near-term to succeed in this space.

Alongside the Strategic Review, which is being led by the Board, the executive team remain focussed on the manufacture, delivery and operation of our existing projects and securing further business from our sales opportunity pipeline. This work will support the widespread roll-out of our Gen 3 product, which is the foundation for the Group to become cash-generative in the future.

In closing, I would like to thank our highly dedicated staff who have faced and overcome the significant challenges of the last 12 months, and my Board colleagues for their continuing support and contribution to the ongoing activities of the Strategic Review process. I would like to extend my thanks also to our shareholders for their continuing support in the face of challenging circumstances, and to our customers for trusting in us to deliver high-quality energy storage infrastructure solutions for their projects.

Neil O'Brien
Executive Chairman
25 June 2019

Financial review

Change of Reporting Currency

Following the exit from the Euro denominated Carbon business in January 2018, the Group predominantly comprises the Great British Pound (GBP) denominated redT business. The Board therefore decided to change the Group's reporting currency to GBP with effect from 1 January 2018. Comparative figures have been restated from the previously reported Euro figures by converting them at appropriate exchange rates.

Overall Group result

As previously reported, the Camco business was substantially discontinued early in January 2018 with the divestment of Camco Africa and the cessation of the Carbon activities. This left the USA consultancy business as the only continuing Camco activity which continued to make a significant contribution to the 2018 result at a revenue and gross profit level as can be seen from the table below. This business was sold in April 2019 completing the exit from the legacy Camco activities.

	redT				Camco				Group			
	2018 £m	2017 £m	Variance £m	Variance %	**2018 £m**	2017 £m	Variance £m	Variance %	**2018 £m**	2017 £m	Variance £m	Variance %
Continuing activities												
Revenue	**2.5**	0.7	1.8	250	**1.7**	1.5	0.2	9	**4.2**	2.2	2.0	87
Gross profit	**0.4**	0.4	–	(4)	**1.3**	1.5	(0.2)	(10)	**1.7**	1.9	(0.2)	(8)
Admin (excl. SBP [1])	**(12.1)**	(7.1)	(5.0)	(71)	**(1.3)**	(1.1)	(0.2)	(16)	**(13.4)**	(8.2)	(5.2)	(63)
Trading (loss)/profit	**(11.7)**	(6.7)	(4.7)	(75)	**–**	0.4	(0.4)	(89)	**(11.7)**	(6.3)	(5.4)	(84)
SBP [1]	**(0.6)**	(0.9)	0.3	37	**–**	–	–	–	**(0.6)**	(0.9)	0.3	37
Operating loss	**(12.3)**	(7.6)	(4.7)	(62)	**–**	0.4	(0.4)	(89)	**(12.3)**	(7.2)	(5.1)	(72)

(1) SBP – Share-based payments

Group revenue from continuing activities grew £2.0m to £4.2m (2017: £2.2m) attributable mainly to sales of redT Gen 2 machines.

Group operating loss from continuing activities for the year was £12.3m (2017: £7.2m loss) which, excluding non-cash, share-based payments, corresponds to a trading loss of £11.7m (2017: £6.3m loss), £5.4m more than 2017 due to the continuing expansion of redT's operations as explained below.

Share-based payments reduced to £0.6m (2017: £0.9m). This non-cash charge estimates the value of share-options given to employees by forecasting the probability weighted, potential increases in value of the share options based on historical volatility of the share price. This estimated increase in value is charged over the vesting period of the options. The reduction in the charge from 2017 to 2018 reflects a reducing charge from prior year options as they vest or lapse, partially offset by new charges relating to options issued to employees during 2018.

redT energy storage business

During 2018, redT continued building the team and developing its products in line with its business model of being an energy storage expert as well as a supplier of its own patented energy storage machines.

Overall, the redT business generated a trading loss of £11.7m (2017: £6.7m loss).

Revenue of £2.5m (2017: £0.7m) comprised £2.1m from sales of Gen 2 machines and £0.4m of grant funding. The gross profit of £0.4m is attributable to the grants; as expected the Gen 2 machine sales did not generate positive margins.

The full year impact of new hires during 2017 and additional hires in 2018 increased average staff numbers from 45 in 2017 to 71 in 2018. Increased staff and higher product development costs accounted for substantially all of the £5.0m (71%) increase in redT administrative expenses (excluding SBP) to £12.1m (2017: £7.1m). As most of the Gen 2 sales were only recognised at the end of 2018 and these were not expected to generate positive margins, amortisation of redT's £6.1m research and development intangible asset was not commenced during the year.

Camco business

The Camco business historically comprised the legacy Carbon and consultancy activities in Africa and the USA. The Group divested its holdings in Camco Africa on 5 January 2018 for a nominal amount and ceased its Carbon activities on 10 January 2018. The results of these businesses constitute the amounts presented as discontinued operations in these financial statements.

Camco USA continued throughout 2018, focusing on the management of the third-party biogas assets, producing a break even result at operating profit level for the year (2017: £0.4m). The Camco USA business was sold in April 2019 completing the exit from the legacy Camco activities.

Cash and cash equivalents

At 31 December 2018, the Group held free cash reserves of £3.3m (2017: £6.6m). The Group continues to have no loans or borrowings. The key movements in cash during 2018 were: proceeds from issue of share capital of £8.5m (2017: £14.6m), cash outflow from operating activities of £11.5m (2017: £9.1m), and cash utilised for the acquisition of property, plant and equipment of £0.4m (2017: £0.5m).

Fundraising and basis of preparation

The Group completed the following fundraises since the beginning of 2018:

- 13 April 2018 – raised £3.85m (before expenses) from institutional investors through the placing of 65,392,342 ordinary shares, at a price of 5.9p. The new shares were admitted to trading on AIM on 19 April 2018. Following admission, the Group's enlarged issued share capital comprised 719,315,766 ordinary shares.

- 3 October 2018 – raised £5.0m (before expenses) from institutional investors through the placing of 71,903,366 ordinary shares, at a price of 7.0p. The new shares were admitted to trading on AIM on 9 October 2018. Following admission, the Group's enlarged issued share capital comprised 791,219,132 ordinary shares

- 9 April 2019 – raised £3.20m (before expenses) via a placing and open offer of 160,031,304 ordinary shares at a price of 2.0p. The new shares were admitted to trading on AIM on 10 April 2019. Following admission, the Group's enlarged issued share capital comprised 951,520,436 ordinary shares.

As foreseen in previous and the current management's forecasts and also mentioned in recent market analysts' projections, it is necessary for the Group to raise additional financing to fund operations until production and sales are increased to a level at which the business becomes cash generative.

The £5.0m proceeds raised from the placing on 3 October 2018 was less than the amount targeted to fund the business towards cash generation. Following this outcome, the Group has run a formal process to identify and engage with potential strategic investors to support and fund the development of the business. The Group has been in, and remains in, active discussions with a number of interested parties. Unfortunately, one party, with whom negotiations were at an

Financial review (continued)

advanced stage, withdrew in February 2019. At that time none of the discussions with other potential investors were sufficiently advanced to secure funding required by the Group in the short term. Therefore, on 14 March 2019, the Board launched a comprehensive Strategic Review to explore all the options available to the Group to fund its business going forward, including continuing the search for strategic partners. On 9 April 2019 the Group raised £3.2m from a placing and open offer to fund the business whilst the Strategic Review is completed and long-term funding secured for the business.

At the same time a cost cutting exercise was implemented to reduce the energy storage business operating costs to a minimum whilst ensuring that the long-term value of the business is maintained. The main element of this cost cutting was a redundancy process which reduced ongoing staff costs by 25%, a monthly saving of £83k after the redundancies are fully effective.

The cash balance at 31 December 2018 was £3.3m and, at time of writing this review, was £3.4m. The Group's latest cash flow forecasts indicate that, without further funding, cash will run out in November 2019. Unless additional funding is obtained by then the Group would have no option but to cease trading.

The Group's need to raise additional investment creates a material uncertainty that casts significant doubt about its ability to continue as a going concern, however, based on the ongoing discussions with potential investors, the Board is optimistic that the necessary funding will be secured in the appropriate time scale. The Board therefore considers it appropriate to present these financials on a going concern basis.

Fraser Welham
Chief Financial Officer
25 June 2019

Directors' report

The Directors present their Directors' report and consolidated financial statements for the year ended 31 December 2018 (the "year").

Company incorporation

redT energy plc (the "Company") is a public company admitted to AIM, a market operated by London Stock Exchange plc ("AIM"). The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 as a registered public company and regulated by the Jersey Financial Services Commission ("JFSC"). The Company is registered in Jersey, Channel Islands and is taxed at the Company standard rate of 0%.

Principal activities

The principal activity of the Company and its subsidiaries (together the "Group") is to develop and supply durable and robust energy storage machines based on proprietary vanadium redox flow technology for on and off-grid applications.

Business review and principal risks

The Business review of the Group can be found in the Executive Chairman's Report on pages 3 to 7 and the Financial Review on pages 8 to 10 of this Annual Report and are incorporated in this Directors' Report by reference.

A major risk facing the Group at present relates to the need to secure long term funding. This is covered in detail in the Chairman's Report, Financial Review and elsewhere in this Annual Report. Below are what the Directors consider to be the other principal risks facing the Group's business. These do not comprise all the risks faced by the Group and are not intended to be presented in any assumed order of priority.

Market adoption

The Group relies on its disruptive technology and business model to procure new customers. Whilst the Directors believe that the Group offers a number of attractive solutions to the problems faced by its target markets and there are high levels of interest in the product without proactive marketing to date, the business model relies on the education of customers regarding the relative advantages and unique characteristics of the redT technology over providers of other energy storage technologies. The speed at which customers adopt the Group's technology will have a material impact on the Group's growth prospects.

Government energy market policy

The energy markets in many countries rely, to a large degree, on national and international regulatory policy. While the EU, the UK and the USA have, in recent years, adopted policies and mechanisms actively supporting renewable energy, it is possible that this approach could be modified or changed in the future, including as a result of a change in Government or a change in Government policy, relating to renewable energy directly or to energy policy more generally. These changes could, in some circumstances, materially affect the Group's business and growth plans.

Manufacturing and production costs

The Directors believe that the manufacturing costs for its energy storage machines will decrease over time as designs and production process are refined and volumes increase. A significant rise in the price of raw materials (such as vanadium) and/or an inability of the Group to generate sufficient sales may have a negative impact on projected production costs. An increase in production costs, or a lower than anticipated rate of cost reduction could impact upon the pricing and/or the profitability of the redT's machines. If higher costs have to be passed on to the Group's customers, this may reduce market appetite for redT's products, which would have a material adverse impact on the Group's future growth prospects.

Product research and development

The Group's future growth will be dependent on its ability to develop and evolve its products and services, including cost reduction in the core components. There can be no guarantees that such enhanced or new products and services will be successfully developed or, if developed, successfully sold to customers. This could affect the growth of the Group's future revenues and profits.

The Group faces competitive and strategic risks that are inherent in a rapidly growing market. The Group's technology, despite testing, may contain undetected defects; problems may also be discovered from time to time in existing, new or enhanced products and services. Undetected defects could increase the Group's costs or reduce revenues; they may also divert resources from other purposes and potentially diminish the Group brand.

The technology market is subject to rapid, and often unpredictable, change. As a result of inappropriate technology choices, the Group's products and services might become unattractive to its customer base and, accordingly, have a material and adverse impact on the Group's revenues. The Group plans to continue to develop innovative solutions for its customers but there can be no assurance that the Group will be able to successfully develop new products and expand its business as planned or that these new products will be successful or profitable. The Group's success will depend, in part, on its ability to develop and adapt to these technological changes and industry trends.

Intellectual property and know-how

The Group has sought to protect its proprietary software, know-how and other intellectual property by the filing of patent applications, entering into non-disclosure agreements with employees, independent contractors and third parties in the ordinary course of its business, implementing and maintaining internal and external controls and processes restricting access to the software's underlying source code, and using the laws of copyright, trade secret and confidentiality.

Any intellectual property, whether or not registered owned and/or used by the Group in the course of its business or in respect of which the Group believes it has rights, may be prejudiced and/or open to challenge by third parties (including where such third parties have or claim to have pre-existing rights in such intellectual property). In any such case, the Group may be prevented from using such intellectual property or it may require the Group to become involved in litigation to protect its intellectual property rights, each of which may have a material adverse effect on the operating results, business, financial condition and prospects of the Group. Conversely, while the Group believes that the it has taken precautions, it cannot guarantee that any action or inaction by the Group will not inadvertently infringe the intellectual property rights of others. Any infringement by the Group of the intellectual property rights of others could have a material adverse effect on the operating results, business, financial condition and prospects of the Group. Despite precautions which may be taken by the Group to protect its software, unauthorised parties may attempt to copy, or obtain and use, its software and the technology incorporated in them. This could cause the Group to have to incur significant unbudgeted costs in defending its software and technology.

Recruitment and continued contribution of executive officers and employees

The Group had significantly strengthened its various functions over the last two years, increasing the number of redT staff from 40 at the start of 2017 to 78 at the end of 2018. As mentioned the Financial Review, the Group has recently cut the work force to reduce costs during the Strategic Review. Once the Group is adequately funded, many of these posts and several others, will need to be recreated and filled to bring the teams back up to full strength to grow the business to its full potential. This reinstated team will implement the production scale up for Gen 3 and the development roadmap for future machine generations, as well as driving robust and sustainable processes to support customers before, during and after system delivery.

While the Group reviews its people policies on a regular basis and invest resources in talent management and career planning, recognising and encouraging individuals with high potential, there can be no guarantee that they will be able to attract, develop and retain these individuals at an appropriate cost and ensure that the capabilities of the Group's employees meet its business needs. Any failure to do so may impact on the performance of the Group. There is a risk that certain senior personnel critical to the running of the Group's activities could leave. This could have a negative impact on the Group's ability to maintain relationships with customers, employees, suppliers and others with whom it has business dealings, with negative consequences for its continued performance and growth.

Product liability or other claims

Whilst the Group has instituted measures to manufacture its products in accordance with appropriate quality-control standards, there can be no assurance that each of the Group's products is free from defects or that they will not be involved in a product recall or product liability or other claims relating to product quality. Product liability or other claims in relation to the Group's products and services could result in reduced sales, recalls, injury or consequential damages to customers or third parties, or harm to the Group's reputation. Actual or perceived quality defects could adversely affect sales and require recalls. Further, express or implied warranties and strict product liability laws in certain jurisdictions could lead to significant damage claims which the Group may be forced to settle, regardless of fault. Such events could materially adversely affect the Group's business, results of operations or financial condition. The Group maintains appropriate insurance to mitigate against these risks where possible.

Expansion into overseas/new markets

The Group's future growth will be dependent on its ability to generate business in additional geographical markets. Whilst the Directors believe that geographical expansion will prove rewarding, there is no guarantee that the Group will be able to generate the required level of sales or profitability if the costs of entry into and operating in these new geographical areas prove to be higher than expected. Other anticipated barriers to entry include language and the legal, political and regulatory regimes of the jurisdiction concerned. There is also no guarantee that expansion into additional geographical markets will not cause disruption and harm to the Group's existing business.

As a function of the Group's growth, the Group has operations in a number of countries. Some of these include territories that may have increased money laundering risks, other legal risks and/or sanctions. The Group will monitor activities in these territories closely and flag any suspicious trends.

Reputational risk

The Group's reputation is central to its future success, in terms of the services and products it provides, the way in which it conducts its business and the financial results which it achieves. Failure to meet the expectations of its clients, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Group's reputation and future revenue.

Legal and regulatory change

The Group's businesses are at risk from significant and rapid change in the legal systems, regulatory controls, and customs and practices in the countries in which it and/or its suppliers operate. These changes affect a wide range of areas including: supplier pricing; infrastructure investment; product liability; distribution and sale of products to customers; property rights and planning laws; the ability to transfer funds and assets externally; employment practices; data protection; environment; health and safety issues; and accounting, taxation and stock exchange regulation. Accordingly, changes to, or violation of, these systems, controls or practices could increase the Group's administrative or regulatory compliance costs, restrict its operations, require other sanctions and have material and adverse impacts on the operating results, business, financial condition and prospects of the Group. There can be no assurance that the Group's businesses will be able to comply with any new regulations or law to which they might become subject. The Group may decide to appeal and/or challenge any changes to laws or regulations that may be material to its businesses and this may increase costs and/or distract management time from day-to-day business matters.

Health and safety risks

The Group is subject to various statutory compliance and litigation risks under health, safety and employment laws. There can be no guarantee that there will be no accidents or incidents suffered by the Group's employees, its contractors or other third parties at the Group's facilities. If any of these incidents occur, the Group could be subject to prosecutions and litigation, which may lead to fines, penalties and other damages being imposed and cause damage to the Group's reputation. Such events could have a material adverse effect on the Group's business operations, prospects, financial condition and operational results.

A description of the principal financial risks facing the Group as well as the risk management objectives and policies that are in place to assist in mitigating the potential impact of these can be found in Note 21 to these financial statements.

This Annual Report of the Company for the year to 31 December 2018 is prepared in accordance with the Companies (Jersey) Law 1991 and the AIM Rules of the London Stock Exchange.

Results and dividends

The Group loss for the year after taxation was £12.5m (2017: loss £7.5m). The Board does not recommend the payment of a dividend for the year.

The Directors

Details of the Directors who served during the year and present at date of signing are as follows:

Neil O'Brien	Executive Chairman since 14 March 2019 (formerly Non-executive)
Fraser Welham	Chief Financial Officer (appointed 3 April 2018)
Jeffrey Kenna	Non-executive (formerly Non-executive Chairman till 14 March 2019)
Michael Farrow	Non-executive

Jonathan Marren	Non-executive
Scott McGregor	Chief Executive Officer (stepped down as a redT energy plc Director on 14 March 2019)
David Stewart	Chief Operating Officer (became Non-executive on 14 November 2018 then resigned on 7 January 2019)
Scott Laird	Finance Director (resigned 3 April 2018)

Directors' liability insurance and indemnities

The Company maintains liability insurance for the Directors and officers of all Group companies. The policy does not provide cover in the event that a Director or officer is proved to have acted fraudulently or dishonestly. Indemnities are in force under which the Company has agreed to indemnify the Directors to the extent permitted by applicable law and the Company's articles of association in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries.

Directors' interests

Details of Directors' interests in the Company's shares are shown in Note 12.

Share capital

The issued share capital of the Company at 1 January 2018 was €6,539,234 comprised of 653,923,424 ordinary shares of €0.01. There were no shares held in treasury.

On 13 April 2018 the Company issued 65,392,342 new ordinary shares and on 3 October 2018, issued a further 71,903,366.

The issued share capital of the Company at 31 December 2018 was €7,912,191 comprised of 791,219,132 ordinary shares of €0.01. There were no shares held in treasury.

Substantial shareholdings

As at 25 April 2019, the following shareholders own more than 3% of the issued share capital of the Company:

	% of issued share capital	Number of shares
Schroders plc	13.3%	126,533,098
Alchemy Projects Limited (Private investment vehicle of John Ward)	6.71%	63,872,819
Payar Investments Ltd (subsidiary of Khazanah Nasional Berhad)	6.54%	62,229,986
Standard Life Aberdeen plc	3.67%	34,892,031
Utilico Emerging Markets Trust plc	3.49%	33,234,868

The above information is based on the latest notifications from significant shareholders received by the Company, adjusted for subsequent share issues.

Political and charitable contributions

The Group made no political or charitable contributions during the year (2017: £Nil).

Directors' report (continued)

Corporate governance

The Directors are committed to a high standard of corporate governance for which they are accountable to stakeholders and particularly shareholders. In 2018 the Company adopted, and now applies, the Quoted Companies Alliance (QCA) Corporate Governance Code ("QCA Code"). The Company continues to monitor developments in the area of corporate governance.

The Board

The Board is ultimately responsible for the effectiveness of the Group's system of internal control. The roles and responsibilities of the Board and senior management are clearly defined and regularly reviewed. The Board includes an appropriate balance of executive and non-executive Directors and meets formally four times a year and on such other occasions as required by the demands of the business. It is supplied with information by senior management in a timely and accurate manner, appropriate to enable it to discharge its duties of reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The roles of the Executive Chairman and the Chief Executive Officer

The division of responsibilities between Chairman of the Board and the Chief Executive Officer are clearly defined. Their responsibilities are outlined below.

The Executive Chairman

The Executive Chairman is responsible for the performance of the Group's businesses, as dictated by the overall strategy agreed by the Board of the Group. He is responsible for ensuring that the Board of redT energy plc is effective in setting and implementing the Group's direction and strategy and to act as the Group's leading representative. The Executive Chairman has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

The Chief Executive Officer

The Chief Executive Officer has operational management of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive Officer, in order to carry out the responsibilities delegated to him by the Board, maintains daily contact and holds regular meetings with senior managers within each business segment, to consider operational matters and implement the Group's strategy.

The Board's Committees

The Board has formally established three committees in accordance with the QCA Code to provide oversight to support the proper governance of the Company, these are outlined below.

The Audit Committee

The Audit Committee comprises Jonathan Marren (Chairman), Michael Farrow and Jeffrey Kenna who are all non-executive Directors.

The Committee is responsible for the following functions recommended by the QCA Code including:

- review of the annual financial statements and interim reports prior to approval, focussing on changes in accounting policies and practices, major judgemental areas, significant audit adjustments, going concern and compliance with accounting standards, stock exchange and legal requirements;

- receiving and considering reports on internal financial controls, including reports from the auditors and report their findings to the Board;
- considering the appointment of the auditors and their remuneration including reviewing and monitoring of independence and objectivity;
- meeting with the auditors to discuss the scope of the audit, issues arising from their work and any matters the auditors wish to raise;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services;
- review of the Group's corporate review procedures and any statement on internal control prior to endorsement by the Board;
- recommendation of appointment and reappointment of the external auditors to the Board.

The Remuneration Committee

The Remuneration Committee comprises Michael Farrow (Chairman), Jonathan Marren and Jeffrey Kenna, who are all non-executive Directors.

The Committee has the following key duties:

- reviewing and recommending the emoluments, pension entitlements and other benefits of the executive Directors and, as appropriate, other senior executives;
- reviewing the operation of share option schemes and Long-Term Incentive Plans and the granting of such options.

The Nomination Committee

The Nomination Committee comprises Jeffrey Kenna (Chairman) and Michael Farrow who are both non-executive Directors.

The Committee is responsible for considering all potential appointments to the Board and to make suitable proposals to the Board in relation to potential appointments.

The Company Secretary

The Company Secretary is Oak Secretaries (Jersey) Ltd (formerly Consortia Secretaries Limited) which is 100% owned by the Oak Group (Jersey) Limited, a Jersey-based limited liability company regulated by the Jersey Financial Services Commission. Michael Farrow was a Director of this company until 31 May 2019.

Relations with shareholders

The Company provides shareholders and stakeholders with relevant information in a timely and balanced manner. We understand and respect the rights of shareholders, will convene Annual General Meetings in full consideration of these rights, and encourage full participation of both institutional and private investors.

Internal control

The Audit Committee is responsible on behalf of the Board for the Group's system of internal control and has taken into account the relevant provisions of the QCA Code in formulating the systems and procedures in operation by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and provide only reasonable and not absolute assurance against material misstatement or loss. The Board is aware of the need to conduct regular risk assessments to identify any deficiencies in the controls currently operating over all aspects of the Group.

Risk assessment

In determining what constitutes a sound system of internal control the Board considers:

- the nature and extent of the risks regarded as acceptable for the Group to bear within its particular business;
- the threat of such risks becoming reality;
- the Group's ability to reduce the incidence and impact on business if the risk crystallises;
- the costs and benefits resulting from operating relevant controls;
- recommendations from the Audit Committee as part of its overall responsibility for risk.

Policies

Through the regular meetings of the Board and the schedule of matters reserved for the Board's committees, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. For each financial year, the Board considers and approves a strategic plan and financial budget. In addition, there are established procedures and processes for planning and controlling expenditure and making investments.

Processes

The Group utilises the following broad processes in order to further mitigate any risks it faces:

- review of management accounts with comparison of actual performance against budget; and consideration of the outturn for the year;
- approval by the Board is required for major investments outside the budget.

Going concern and funding

The redT business is still a young business in an emerging market and has not yet reached the stage in its development when it is cash generative. As such, it is still dependent on its ability to attract additional investment to fund its operations.

During the early part of 2018, the Board came to the conclusion that to flourish in what is forecast to become a vast market, where energy supply and infrastructure interact, the Group needs to partner with one or more strategic partners with global reach to support and fund the business.

In October 2018 £4.7m net proceeds (after expenses) was raised from the placing which was less than the amount targeted to fund the business towards being cash generative. Factors contributing to the shortfall included a lack of installed machines, reducing the Group's ability to demonstrate the commercial viability of its products and a number of macro factors creating a challenging global investment environment.

Following the October 2018 fundraise, the Board stepped up the search for strategic partners by appointing advisers and launching a formal search process. This process was expanded to an all-encompassing Strategic Review in March 2019 and, in April 2019, additional funding of £3.2m was raised, mainly from existing shareholders, to allow time to complete this review and secure long-term funding for the business. At the same time a cost cutting exercise was implemented to reduce the energy storage business operating costs to a minimum whilst ensuring that the long-term value of the business is maintained. The main element of this cost cutting was a redundancy process which reduced ongoing staff costs by 25%, a monthly saving of £83k after the redundancies are fully effective.

The cash balance at 31 December 2018 was £3.3m and, at time of finalising these financial statements, was £3.4m. The Group's latest cash flow forecasts indicate that, without further funding, cash will run out in November 2019. Unless additional funding is obtained by then the Group would have no option but to cease trading. However, the Board is optimistic, based on the progress and the advanced status of discussions, that the current cash reserves provide the Group with adequate time to conclude the Strategic Review and secure the necessary long-term funding that it requires. Based on current forecasts, the Board estimates the Group requires at least £10m of investment to reach a scale where it becomes cash generative, forecast to be in the second half of 2021; the Board is targeting an investment in line with this.

Despite there being advanced discussions ongoing with a number of potential investors, it is not certain that the Group will be able to secure the level of investment required before cash runs out, particularly given the result of the October 2018 fundraise. This therefore creates a material uncertainty that casts significant doubt about the Group's ability to continue as a going concern.

In addition to the funding issue discussed above, the Directors have also reviewed other varying, and wide-ranging information relating to both present and future conditions when reaching their conclusion regarding going concern. These included:

- the opportunity presented by the rapidly emerging energy storage market;
- the commercial viability of redT's vanadium redox flow energy storage product within this market;
- contracts being delivered and projects currently in the pipeline.

The Group also has established relationships with a number of customers and suppliers and has the continuing support of existing investors, as evidenced by recent fundraises.

Having taken all of the above factors into account, the Directors continue to believe it is appropriate to prepare these financial statements on a going concern basis, noting the material uncertainty that exists arising from the need to secure long-term funding within the coming few months.

The financial statements do not include any adjustments that would be necessary should the going concern basis of preparation not be appropriate.

Post balance sheet events

Particulars of important events affecting the Group since the financial year end are set out on note 25 to the financial statements.

Disclosure of information to auditor

Each of the Directors confirms that: (a) so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of such information.

Auditor

A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Joanne Louise Gorrod
Oak Secretaries (Jersey) Limited
Company Secretary

Registered Office:
3rd Floor
Standard Bank House
47-49 La Motte Street
St Helier
Jersey
JE2 4SZ

25 June 2019

Report of the remuneration committee

Composition and terms of reference

The Remuneration Committee was established on admission to AIM on 25 April 2006 and comprises only independent non-executive Directors. Its members during the year were Michael Farrow (Chairman), Jonathan Marren and Jeffrey Kenna. The Committee's terms of reference take into account the provisions of the QCA Code on corporate governance for smaller companies and ensure that processes designed to retain and remunerate the executive Directors and management are consistent with current best practice.

Directors' remuneration policy

Non-executive Directors

The Company's policy for non-executive Directors (including the Chairman) is to pay fees which are broadly competitive with fees paid by other similar AIM listed companies of commensurate size and growth prospects. Non-executives are not currently eligible for bonuses, share options, long-term incentives, pensions or performance related remuneration.

Executive Directors

The Company's policy for executive Directors is to provide remuneration and other benefits sufficient to attract, retain and motivate executives of the calibre required. Total remuneration includes salary, performance related bonuses, share options and long-term incentives. Bonuses are provided at the discretion of the Remuneration Committee and are performance related. Share options and long-term incentives are provided to motivate and retain executive Director's services.

Directors' remuneration during the year

	2018 Salaries and fees £'000	2018 Benefits in kind £'000	2018 Termination Payments £'000	2018 Pension benefits* £'000	2018 Total £'000
Executive Directors					
Scott McGregor	**200**	**3**	**–**	**10**	**213**
Fraser Welham	**121**	**4**	**–**	**6**	**131**
David Stewart	**122**	**2**	**88**	**6**	**218**
Scott Laird	**36**	**–**	**24**	**–**	**60**
Non-executive Directors					
Jeffrey Kenna	**60**	**–**	**–**	**–**	**60**
Michael Farrow	**30**	**–**	**–**	**–**	**30**
Jonathan Marren	**35**	**–**	**–**	**–**	**35**
Neil O'Brien	**30**	**–**	**–**	**–**	**30**
Total	**650**	**9**	**112**	**6**	**777**

*In 2018 Scott Laird waived his contractual entitlement to pension contributions.

	2017 Salaries and fees £'000	2017 Benefits in kind £'000	2017 Pension benefits* £'000	2017 Total £'000
Executive Directors				
Scott McGregor	200	1	–	201
David Stewart	100	2	4	105
Scott Laird	65	–	–	65
Non-executive Directors				
Jeffrey Kenna	60	–	–	60
Michael Farrow	30	–	–	30
Zainul Rahim bin Mohd Zain	16	–	–	16
Jonathan Marren	35	–	–	35
Neil O'Brien	26	–	–	26
Total	532	3	4	539

*In 2017 Scott McGregor and Scott Laird waived their contractual entitlement to pension contributions.

Defined contribution retirement benefit plan

The Group operates a defined contribution, retirement benefit plan for qualifying Directors and employees. The assets of this plan are held separately from those of the Group. The only obligation of the Group is to make the contributions.

Long-Term Incentive Plan (the "LTIP")

The Board has historically approved the LTIP under which Directors and employees were entitled to equity-settled payment following annual vesting dates from 31 December 2008 up to 31 December 2012, upon certain market and non-market performance conditions being met in the years preceding those dates.

The purpose of the LTIP was to incentivise Directors and employees to meet profit and share price performance targets over the years ending on the vesting dates. The LTIP aligned Directors' objectives with those of the shareholders.

The Board now considers the LTIP closed and accordingly no further awards were made during the year. As at the beginning and end of the year, there were 750,000 awards vested and exercisable at €0.01 per share held by Scott McGregor. Whilst in employment there is no defined time-lapse period, however post-employment termination, there is a 12-month exercise period.

The share-based payment charge booked in respect of the LTIP in these financial statements for Scott McGregor is £Nil (2017: £Nil).

Camco 2006 Executive Share Plan (the "Plan")

On 27 July 2012, the Company resolved at general meeting to amend the terms of the Plan such that awards could be made under the Plan for a period of 10 years from 27 July 2012 over up to 10 per cent of the ordinary shares in issue as 27 July 2012 plus any shares subsequently issued.

Under the Plan the Company can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and employees.

The purpose of the Plan was to incentivise Directors and employees to meet market (share price) and non-market (operational) performance targets over the vesting period.

The Board now considers the Plan closed and accordingly no further awards were made during the year. As at the beginning and end of the year there were 3,406,358 awards vested and exercisable at €0.01 per share held by Scott McGregor. Awards held by Scott McGregor have a time-lapse period of 10 years from the date of grant (30 July 2023), and a period of 12 months post-employment termination.

The share-based payment charge booked in respect of the plan in these financial statements for Scott McGregor is £Nil (2016: £Nil).

2015 and 2018 redT employee Share Plans

On 30 November 2015, the Company resolved at a general meeting to approve the 2015 redT employee Share Plan (the "2015 Plan"), which allowed for awards to be made up to 10% of the issued share capital of the Company from time to time.

Under the 2015 Plan the Company can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and employees.

The purpose of the 2015 Plan was to incentivise Directors and employees to meet market (share price) and non-market (operational) performance targets over the vesting period.

On 14 May 2018, the Board adopted the redT energy 2018 Employee Share Option Plan (the "2018 Plan"), which introduced HMRC scheme rules and includes a CSOP, EMI and unapproved part, and the redT energy 2018 Consultant Share Option Plan. The 2018 Plan replaces the 2015 Plan with a share option plan which is able to benefit from tax incentives offered by the UK Government relating to employee share incentives. Where appropriate, options previously granted under the 2015 Plan have been surrendered and reissued on exactly the same commercial terms as they were originally granted under the 2018 Plan.

Awards issued to Directors

	At 31 December 2017 Outstanding No. of shares	Granted No. of shares	Vested No. of shares	Forfeited No. of shares	At 31 December 2018 Outstanding No. of shares	Price payable per share Pence
Fraser Welham	–	3,000,000	–	–	**3,000,000**	5.90
Fraser Welham	–	2,000,000	–	–	**2,000,000**	7.00
Scott McGregor	6,500,000	–	–	–	**6,500,000**	8.00
David Stewart	4,000,000	1,000,000	–	(5,000,000)	**–**	
Scott Laird	3,084,745		(694,915)	(2,389,831)	**–**	
Total	2,779,661		(694,915)	(7,389,831)	**–**	

The share-based payment charge booked in these financial statements for Scott McGregor is £206,890 (2017: £258,056), Fraser Welham £18,416 (2017: £Nil), Scott Laird £Nil (2017: £55,533) and David Stewart £Nil (2017: £55,110).

As at the beginning and end of the year there were 3,500,000 awards vested and exercisable at 8.0 pence per share held by Scott McGregor. The option period continues to 31 December 2020, as long as the Company remains quoted.

Awards under the 2018 Plan replacing surrendered option previously granted under the 2015 Plan

30,012,928 options, which were originally granted under the 2015 Share Plan, were surrendered and regranted under the 2018 Employee Share Option Plan on 30 May 2019. These options were on the same commercial terms as those on which the original options were granted (including the exercise price and vesting conditions). As the 2018 Plan options were direct replacements of the 2015 Plan options they have not been included in the granted figures in the Awards issued to Directors table above.

Awards without performance criteria

38,818,057 options (including those granted to Directors) were granted in two batches, 25,920,835 on 18 May 2018 and 12,897,222 on 29 November 2018. 25% of the options will vest after the expiry of 2 years from start of employment, a further 25% of options will vest after the expiry of 3 years from date of grant, a further 25% of options will vest after the expiry of 4 years from date of grant (in all cases rounded down where necessary) and the remainder will vest after the expiry of 5 years from date of grant.

The Company's share price at the end of the year was 5.100 pence (2017: 8.500 pence). The highest share price in the year was 11.300 pence (2017: 12.375 pence) and the lowest 4.500 pence (2017: 6.625 pence).

Directors' service contracts

The Chairman and non-executive Directors hold office under the Company's Articles of Association and do not have service contracts. The Chairman is entitled to 6 months' notice prior to termination of his appointment. The non-executive Directors are entitled to 3 months' notice prior to termination of their appointment. Following these notice periods there is no further entitlement to compensation or other benefits.

The Group's policy is that executive Directors' notice periods should not exceed one year. Fraser Welham holds an employment contract with the Group dated 3 April 2018 and is terminable with 6 months notice given by the Group or employee. There are no provisions for compensation for early termination of these contracts, except for change of role in the event of a merger or acquisition.

The tables above comprise part of the audited financial statements.

By Order of the Board

Michael Farrow
Remuneration Committee Chairman
25 June 2019

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

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS").

As required by the AIM Rules for Companies of London Stock Exchange Plc, the directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the profit and loss for that year.

In preparing those financial statements the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue the business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Independent auditor’s report
to the members of redT energy plc

Report on the audit of the financial statements

Opinion

In our opinion, redT energy plc’s group financial statements (the “financial statements”):

- give a true and fair view of the state of the group’s affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the “Annual Report”), which comprise: the consolidated statement of financial position as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated statement of cash flow, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern – Group

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group’s ability to continue as a going concern. The Group has incurred recurring losses and negative cash flows as it looks to achieve commercial viability of the vanadium redox flow energy storage product and will require additional investment to fund ongoing operations. Without further funding, the group will run out of cash in November 2019. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group’s ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Explanation of material uncertainty

Note 1 to the financial statements details the Directors’ disclosures of the material uncertainty relating to going concern in respect of the requirement to raise additional funding within 12 months assessment period from the date of approval of the financial statements.

The Group have incurred ongoing losses and negative cash flows as a result of costs mainly related to product development and expect to continue to incur losses in future years to reach commercialisation. The Group will be required to raise additional finance within the assessment period to fund the costs associated with product commercialisation and ongoing working capital requirements. Judgement is required in estimating future forecast costs and the likelihood of future funding being available to the Group. There is no certainty that future funding will be available, and the Directors have drawn attention to this as a material uncertainty relating to going concern in the basis of preparation to the Annual Report.

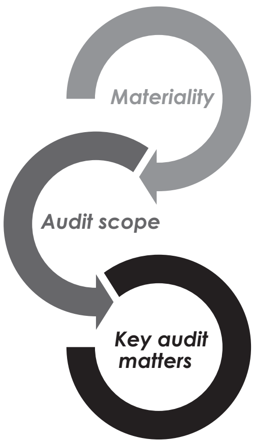
What audit procedures we performed

In concluding there is a material uncertainty, our audit procedures included:

- obtaining future cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. The cash flow forecasts support the fact that additional funding will be required within this period. The accuracy and robustness of the forecasts was tested along with evaluating key inputs;
- comparing the assumptions used within the going concern model to the assumptions used in the impairment model and board approved budgets and business plans.
- considering the Group's plan for raising additional finance and the potential for future fundraising in the UK capital market. Discussions were held with redT's nominated broker to independently corroborate the ongoing fundraising process and likelihood of success;
- reviewing and evaluating management's sensitivities and performing additional sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; and
- reading the disclosures in note 1 to the financial statements and checking these were consistent with the Group's plans for future fundraising and the Group's current funding position.

Our audit approach

Overview



- Overall group materiality: £191,000 (2017: £239,000), based on 1% of total assets.

- The group principal activity is to develop and supply durable and robust energy storage machines.
- We tailored the scope of our audit taking into account the significant balances within the group, the accounting processes and the industry in which the group operates.
- The audit work was performed by a team based in the UK and accounted for approximately 92% of total assets.

- Impairment of intangible assets
- Going concern

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of intangible assets The Group holds intangible assets, including group goodwill (£7.4m) and intellectual property (£6.1m), which arose on the acquisition of the remaining shareholding of redT energy Holdings (Ireland) Limited. IAS 36 Impairment of assets requires an annual impairment assessment to be carried out for all indefinite life intangibles (goodwill) and whenever there are any indications of impairment for all other assets. We focused on this area due to the material nature of the intangibles balance and given products arising from the intangibles are not fully commercially available, there is a risk that the value may not be recoverable. In addition, impairment assessments are based on future projections and key assumptions, which are inherently subjective, this heightens the risk around carrying value of intangible assets.	We tested management's impairment assessment of goodwill and intellectual property by performing the work described below: • checking the mathematical accuracy of key formulae in the impairment models; • comparing the assumptions used within the impairment models to board approved budgets and business plans and other evidence of future intentions for the relevant assets, which we found to be consistent; • comparing forecasted sales in 2019 to the current orders, signed contracts (where available) and demand from third parties; • involving our PwC valuations team to benchmark key assumptions including discount rate and growth rate against companies in the same industry as redT and at the same stage. We noted the assumptions are within a reasonable range; • reviewing management's sensitivities and performing additional sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes. We determined that the calculation was most sensitive to assumptions related to the sale of machines;

Key audit matter	How our audit addressed the key audit matter
	• assessing the inclusion of all appropriate assets and liabilities in the cash generating unit and agreed that all relevant balances had been included; and • comparing the carrying value of the cash generating unit to the market cap, which is currently less, and assessing this impairment indicator. Based on the work performed, we determined that the assumptions used and the approach taken was reasonable. The recoverability of the intangible assets is interlinked with the going concern assumption therefore the recoverability of the asset is at risk should the Group not continue as a going concern.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

For operating purposes, during FY18, the group was structured around two key segments: redT and Camco. redT develops and supplies durable and robust energy storage machines. The Camco segment, a consultancy business operating within the US was sold in April 2019 and completed the Group's exit from the legacy Camco activities.

Our Group scoping was based on total assets generated from each component and we identified two components (the parent company, redT energy plc, and redT energy (UK) Limited) which comprised a high proportion of total group assets which required an audit of their complete financial information. A further two components were subject to procedures over the trade receivables and revenue financial statement line item level to obtain sufficient coverage.

The audit work was entirely performed by the group engagement team based in the UK.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows

Overall materiality	£191,000 (2017: £239,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is an appropriate measure for a group at the current stage of developing energy storage machines.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £115,000 and £175,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,000 (2017: £12,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Partner responsible for the audit

The engagement partner on the audit resulting in this independent auditors' report is Richard Spilsbury.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants

Edinburgh
25 June 2019

Consolidated statement of financial position

At 31 December 2018

	Notes	**2018 £'000**	2017 £'000	2016 £'000
Non-current assets				
Property, plant and equipment	13	**538**	429	88
Intangible assets and goodwill	14	**13,491**	13,304	12,776
Deferred tax assets	10	**–**	85	149
Total non-current assets		**14,029**	13,818	13,013
Current assets				
Inventories	15	**525**	550	–
Prepayments and accrued income	16	**626**	947	434
Trade and other receivables	17	**559**	1,974	661
Corporate tax receivable		**–**	6	6
Cash and cash equivalents		**3,344**	6,603	2,346
Total current assets		**5,054**	10,080	3,447
Total assets		**19,083**	23,898	16,460
Current liabilities				
Trade and other payables	18	**(1,567)**	(1,487)	(3,386)
Deferred income	19	**(173)**	(1,789)	(409)
Total current liabilities		**(1,740)**	(3,276)	(3,795)
Non-current liabilities				
Deferred income	19	**(35)**	(62)	(189)
Total non-current liabilities		**(35)**	(62)	(189)
Total liabilities		**(1,775)**	(3,338)	(3,984)
Net assets		**17,308**	20,560	12,476
Equity attributable to equity holders of the parent				
Share capital	20	**6,777**	5,560	3,979
Share premium		**99,473**	92,198	79,790
Share-based payment reserve	20	**2,225**	1,707	1,260
Retained earnings		**(91,072)**	(78,391)	(70,994)
Translation reserve	20	**1,327**	1,067	(27)
Other reserve	20	**(1,422)**	(1,422)	(1,422)
Non-controlling interest	20	**–**	(159)	(110)
Total equity		**17,308**	20,560	12,476

The notes on pages 37 to 67 form an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 25 June 2019 and were signed on its behalf by:

Michael Farrow
Director
Company Registration Number 92432

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	2018 £'000	2017 Restated £'000
Continuing operations			
Revenue	3	**4,162**	2,228
Cost of sales		**(2,448)**	(356)
Gross profit		**1,714**	1,872
Administrative expenses		**(13,955)**	(9,104)
Loss from operating activities		**(12,241)**	(7,232)
Financial income	9	**14**	1
Foreign exchange movement	9	**(162)**	(252)
Net financing expense		**(148)**	(251)
Loss before tax		**(12,389)**	(7,483)
Income tax (charge)/credit	10	**(92)**	(48)
Loss from continuing operations		**(12,481)**	(7,531)
Discontinued Operations			
(Loss)/profit from discontinued operations (net of tax)	4	**(41)**	85
Loss for the year		**(12,522)**	(7,446)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**260**	1,094
Total comprehensive loss for the year		**(12,262)**	(6,352)
Loss for the year attributable to:			
Equity holders of the parent		**(12,681)**	(7,397)
Non-controlling interest		**159**	(49)
		(12,522)	(7,446)
Total comprehensive loss for the year attributable to:			
Equity holders of the parent		**(12,421)**	(6,303)
Non-controlling interest		**159**	(49)
		(12,262)	(6,352)
Basic loss per share in Pence			
From continuing operations	11	**(1.76)**	(1.17)
From discontinued operations	11	**(0.01)**	0.01
From continuing and discontinued operations	11	**(1.77)**	(1.16)
Diluted loss per share in Pence			
From continuing operations	11	**(1.76)**	(1.17)
From discontinued operations	11	**(0.01)**	0.01
From continuing and discontinued operations	11	**(1.77)**	(1.16)

The notes on pages 37 to 67 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For year ended 31 December 2018

	Notes	2018 Share capital £'000	2018 Share premium £'000	2018 Share-based payment reserve £'000	2018 Retained earnings £'000	2018 Translation reserve £'000	2018 Other reserve £'000	2018 Equity attributable to shareholders of the Company £'000	2018 Equity attributable to non-controlling interest £'000	2018 Total Equity £'000
Balance as at 1 January 2018		**5,560**	**92,198**	**1,707**	**(78,391)**	**1,067**	**(1,422)**	**20,719**	**(159)**	**20,560**
Total comprehensive loss for the year										
Loss for the year		**–**	**–**	**–**	**(12,522)**	**–**	**–**	**(12,522)**		**(12,522)**
Minority interest loss not recoverable					**(159)**			**(159)**	**159**	**–**
Other comprehensive loss										
Foreign currency transaction differences		**–**	**–**	**–**		**260**	**–**	**260**	**–**	**260**
Total comprehensive loss for the year		**–**	**–**	**–**	**(12,681)**	**260**	**–**	**(12,421)**	**159**	**(12,262)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	7	**–**	**–**	**518**	**–**	**–**	**–**	**518**	**–**	**518**
Issuance of shares	20	**1,217**	**7,834**	**–**	**–**	**–**	**–**	**9,051**	**–**	**9,051**
Transaction costs arising on share issues		**–**	**(559)**	**–**	**–**	**–**	**–**	**(559)**	**–**	**(559)**
Total contributions by and distributions to owners		**1,217**	**7,275**	**518**	**–**	**–**	**–**	**9,010**	**–**	**9,010**
Balance at 31 December 2018		6,777	99,473	2,225	(91,072)	1,327	(1,422)	17,308	–	17,308

The notes on pages 37 to 67 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For year ended 31 December 2017

	Notes	2017 Share capital £'000	2017 Share premium £'000	2017 Share-based payment reserve £'000	2017 Retained earnings £'000	2017 Translation reserve £'000	2017 Other reserve £'000	2017 Equity attributable to shareholders of the Company £'000	2017 Equity attributable to non-controlling interest £'000	2017 Total Equity £'000
Balance as at 1 January 2017		3,979	79,790	1,260	(70,994)	(27)	(1,422)	12,586	(110)	12,476
Total comprehensive loss for the year										
Loss for the year		–	–	–	(7,397)	–	–	(7,397)	(49)	(7,446)
Other comprehensive loss										
Foreign currency transaction differences		–	–	–	–	1,094	–	1,094	–	1,094
Total comprehensive loss for the year		–	–	–	(7,397)	1,094	–	(6,303)	(49)	(6,352)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	7	–	–	447	–	–	–	447	–	447
Issuance of shares	20	1,581	12,512	–	–	–	–	14,093	–	14,093
Transaction costs arising on share issues		–	(104)	–	–	–	–	(104)	–	(104)
Total contributions by and distributions to owners		1,581	12,408	447	–	–	–	14,436	–	14,436
Balance at 31 December 2017		5,560	92,198	1,707	(78,391)	1,067	(1,422)	20,719	(159)	20,560

The notes on pages 37 to 67 form an integral part of these consolidated financial statements.

Consolidated statement of cash flow

For year ended 31 December 2018

	Notes	**2018** **£'000**	2017 £'000
Cash flows from operating activities			
Loss for the year		**(12,522)**	(7,446)
Adjustments for:			
Depreciation, amortisation and impairment	13	**274**	116
Foreign exchange loss/(gain) on translation	9	**162**	252
Financial (income)/expense	9	**(14)**	(1)
Impairment of receivables – bad debt write-off	22	**(4)**	4
Equity settled share-based payment expenses	7	**570**	906
Taxation	10	**92**	48
		(11,442)	(6,121)
Decrease in trade and other receivables		**1,433**	(1,763)
Increase in inventory		**25**	(550)
Decrease in trade and other payables		**(1,500)**	(646)
		(42)	(2,959)
Net cash outflow from operating activities		**(11,484)**	(9,080)
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(382)**	(461)
Net cash from investing activities		**(382)**	(461)
Cash flows from financing activities			
Proceeds from the issue of share capital		**8,492**	14,625
Interest received/(paid)	9	**14**	1
Net cash inflow from financing activities		**8,506**	14,626
Net increase in net cash and cash equivalents		**(3,360)**	5,085
Net cash and cash equivalents at 1 January		**6,603**	2,347
Effect of foreign exchange rate fluctuations on cash held		**101**	(829)
Net cash and cash equivalents at 31 December		**3,344**	6,603

The notes on pages 37 to 67 form an integral part of these consolidated financial statements.

1. Accounting policies

redT energy plc (the "Company") is a public company incorporated in Jersey under the Companies (Jersey) Law 1991. The address of its registered office is 3rd floor, Standard Bank House, 47-49 La Motte Street, St Helier Jersey, JE2 4SZ. The consolidated financial statements of the Company for the year ended 31 December 2018 comprise of the Company and its subsidiaries (together the "Group"). The Company's shares are quoted on AIM, a market operated by London Stock Exchange Plc.

A. Statement of compliance

These consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("adopted IFRS").

These consolidated financial statements have been prepared in accordance with and in compliance with the Companies (Jersey) Law 1991, an amendment to which means separate parent company financial statements are not required.

These consolidated financial statements were approved by the Board on 25 June 2019.

B. Basis of preparation

The financial statements are presented in Great British Pounds (GBP), the functional currency of the Company, rounded to the nearest thousand pounds Sterling. The Group changed its functional currency on 1 January 2018 to better reflect the predominant currency for transactions within the Group. The presentational currency was also changed. Therefore, all prior year disclosures have been restated to be presented in GBP. In accordance with IAS 8 a third balance sheet have been included to show the retrospective impact of the restatement.

The accounting policies set out below have been applied consistently in the year and presented in these consolidated financial statements. The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

The financial statements have been prepared on historical cost and going concern basis.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. 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 year are:

Impairment of goodwill – goodwill is tested annually for any impairment in accordance with the accounting policy stated in Note 1 G below. These tests require the use of management estimates and assumptions as detailed in Note 14 – Intangible & goodwill.

Share-based payments – the expense relating to share-based payments is determined in accordance with the accounting policy stated in Note 1 L below. The calculation of this expense requires the use of various management estimates.

Critical accounting Judgements and assumptions

In the view of the directors there are no critical accounting judgements in the Group's financial statements.

Going Concern Basis

The redT business is still a young business in an emerging market and has not yet reached the stage in its development when it is cash generative. As such, it is still dependent on its ability to attract additional investment to fund its operations.

During the early part of 2018, the Board came to the conclusion that to flourish in what is forecast to become a vast market, where energy supply and infrastructure interact, the Group needs to partner with one or more strategic partners with global reach to support and fund the business.

In October 2018 £4.7m net proceeds (after expenses) was raised from the placing which was less than the amount targeted to fund the business towards being cash generative. Factors contributing to the shortfall included a lack of installed machines, reducing the Group's ability to demonstrate the commercial viability of its products and a number of macro factors creating a challenging global investment environment.

Following the October 2018 fundraise, the Board stepped up the search for strategic partners by appointing advisers and launching a formal search process. This process was expanded to an all-encompassing Strategic Review in March 2019 and, in April 2019, additional funding of £3.2m was raised, mainly from existing shareholders, to allow time to complete this review and secure long-term funding for the business. At the same time a cost cutting exercise was implemented to reduce the energy storage business operating costs to a minimum whilst ensuring that the long-term value of the business is maintained. The main element of this cost cutting was a redundancy process which reduced ongoing staff costs by 25%, a monthly saving of £83k after the redundancies are fully effective.

The cash balance at 31 December 2018 was £3.3m and, at time of finalising these financial statements, was £3.4m. The Group's latest cash flow forecasts indicate that, without further funding, cash will run out in November 2019. Unless additional funding is obtained by then the Group would have no option but to cease trading. However, the Board is optimistic, based on the progress and the advanced status of discussions, that the current cash reserves provide the Group with adequate time to conclude the Strategic Review and secure the necessary long-term funding that it requires. Based on current forecasts, the Board estimates the Group requires at least £10m of investment to reach a scale where it becomes cash generative, forecast to be in the second half of 2021; the Board is targeting an investment in line with this.

Despite there being advanced discussions ongoing with a number of potential investors, it is not certain that the Group will be able to secure the level of investment required before cash runs out, particularly given the result of the October 2018 fundraise. This therefore creates a material uncertainty that casts significant doubt about the Group's ability to continue as a going concern.

In addition to the funding issue discussed above, the Directors have also reviewed other varying, and wide-ranging information relating to both present and future conditions when reaching their conclusion regarding going concern. These included:

- the opportunity presented by the rapidly emerging energy storage market;
- the commercial viability of redT's vanadium redox flow energy storage product within this market;
- contracts being delivered and projects currently in the pipeline.

The Group also has established relationships with a number of customers and suppliers and has the continuing support of existing investors, as evidenced by recent fundraises.

Having taken all of the above factors into account, the Directors continue to believe it is appropriate to prepare these financial statements on a going concern basis, noting the material uncertainty that exists arising from the need to secure long-term funding within the coming few months.

The financial statements do not include any adjustments that would be necessary should the going concern basis of preparation not be appropriate.

Basis of consolidation

Subsidiaries – subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation – intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business Combinations

The Group adopted IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method. The Group adopted IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009. The Group also applied IAS 27 (2008) for the disposal and acquisition of non-controlling interests that do not result in loss of control.

Acquisitions and disposals of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

The Group applied IAS 27 (2008) in accounting for transactions which result in the loss of control of subsidiaries. Under the accounting policy transactions that result in loss of control are accounted for by derecognising the previously consolidated assets and liabilities of the subsidiary and the carrying amount of any non-controlling interests in the former subsidiary and recognising the retained investment at its fair value at the date when control is lost and any consideration received. The resulting difference, including any related gains or losses previously recognised in other comprehensive income that qualify to be recycled to profit or loss, is recognised in profit or loss as a gain or loss on the disposal.

C. Revenue recognition

US business

Revenue recognition on US service contracts

The US business generates revenue on the management of third-party biogas facilities. Revenue is recognised monthly based upon the contractual monthly management fees.

redT energy storage business

Revenue recognition on contracts for large, integrated multi-machine installations

Revenue is recognised in the income statement in proportion to the stage of completion and meeting of any performance conditions set out in the contract. The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1 Identify contract(s) with a customer: a contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify performance obligations in the contract: a performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: for a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

Revenue recognition on contracts for the supply of individual machines

Revenue from machine sales is recognised when the machine has been delivered, installed, and is ready to operate. Where the customer has been billed in advance, revenue will be deferred and recognised as deferred income on the balance sheet until the system has been installed and is ready to operate.

Group (Other)

Revenue recognition on CDM carbon and EU ETS compliance services

The Group derives revenue from the sale of emissions allowances and offsets to its clients which it acquires in a separate transaction. The Group acts as principle in both the sale and purchase transactions with revenue and purchase cost recognised simultaneously on the transaction date.

D. Goodwill

Subsidiary

On acquisitions since 1 January 2009 the Group measures goodwill as the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Subsequent measurement – goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

E. Intangible assets

Intangible assets recognised within the balance sheet relate exclusively to 'research and development (R&D)' as part of the acquisition of the Renewable Energy Dynamics Holdings Limited (REDH) business in September 2015. The R&D related to expenditure incurred within two main categories, Technical Expertise (Personnel Costs) and Other Directly Attributable Administration Expenses incurred by the REDH business since 2010 until the date of acquisition. At the date of acquisition, R&D was capitalised as an intangible asset.

Amortisation of the intangible assets will begin once the redT energy storage system becomes fully commercialised, with the recognition of revenue in the Income Statement from the sale of commercial systems. This criterion was not met in the year ended 31 December 2018. The situation will be reviewed in 2019 to confirm the amortisation status of the intangible asset, as well as to determine its effective useful economic life.

F. *Property, plant and equipment*

Computer and office equipment: computer and office equipment is held at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of three years.

Leasehold improvements: leasehold improvements are held at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the remaining life of the lease.

Property plant and equipment: property plant and equipment is held at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the assets (3 to 25 years).

G. *Impairment*

The carrying amounts of the Group's property, plant and equipment, goodwill and other intangibles are reviewed at least annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the income statement. The recoverable amount is the greater of the fair value less cost of disposal and the value in use. Value in use is calculated as the present value of estimated future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist because of a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that the asset would have had, net of depreciation and amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill on acquisition is not reversed.

H. *Non-current assets held for sale and discontinued operations*

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs of disposal with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement, although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company's accounting policies. Intangible assets and property, plant and equipment, once classified as held for sale or distribution, are not amortised or depreciated.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

I. Foreign exchange

Foreign currency transactions

Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate at the date of transaction.

Year-end FX rates to GBPs as applied in the financial statements: EUR 1.1094 (2017: 1.1254), USD 1.2690 (2017: 1.1999), CNY 8.728 (2017: 7.8068), ZAR 18.3107 (2017: 14.8608).

J. Inventory

Stock

Represents stock of "stack units" and other associated parts for the manufacture, maintenance and repairs of storage machines.

Work in progress

Consists of energy storage machine under construction.

Finished goods

Completed energy storage machines that are awaiting installation and commissioning.

Inventory is reviewed on an ongoing basis to ensure that any obsolete stock is written off and the carrying value of all inventory lines are at the lower of cost and net realisable value.

K. Taxation

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

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax liabilities are recognised only to the extent that they are not offset by unrecognised deferred tax assets.

L. Employee benefits

Employee share schemes

The Group enters into arrangements that are equity-settled, share-based payments with certain employees (including Directors) in the form of share options. The fair value of these options are estimated at the date of grant and combined with the Group's estimate of options that will eventually vest to arrive at an overall expected value. This value is then amortised through the income statement on a straight-line basis over the vesting period. Fair value is measured by use of an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions linked to the price of the shares of the Company. The charge is adjusted at each balance sheet date to reflect the actual number of shares expected to vest based on non-market performance conditions such as Group profit targets and employment service conditions where appropriate. The movement in cumulative charges since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity.

Where the Company grants share based payment awards over its own shares to employees of its subsidiaries it recognises the corresponding movement directly in equity and recharges in the full the share based payment charge to the relevant subsidiary.

Annual Leave

The annual leave year runs from January to December and it is company policy that all leave must be taken within the year. There is therefore no liability in relation to annual leave at the end of the year.

Defined contribution pension scheme

In the UK, the Group operates a defined contribution retirement benefit plan for qualifying employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due.

M. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, corporate expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

N. *Earnings per share*

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS. Anti-dilution is when an increase in earnings per share or a reduction in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

O. *Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

P. *Leased assets*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Q. Finance income and expense

Finance income comprises interest income on surplus funds, unwinding of the discount on receivables and accrued income. Interest income is recognised as it accrues in profit or loss using the effective interest method.

Finance expenses comprise interest expense on borrowings, finance leases and unwinding of the discount on payables, provisions and accrued costs. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses arising from retranslation and settlement of monetary items denominated in currencies different to the functional currency of the entity in which they arise are reported on a net basis.

R. Non-derivative financial assets

The Group has the following non-derivative financial assets: cash and cash equivalents, trade and other receivables and other financial assets. Such financial assets are recognised initially at fair value and subsequently carried at amortised cost and assessed for impairment at the end of each financial period.

S. Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: trade and other payables and payments on account. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

T. New accounting standards and interpretations

(a) New standards, amendments and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, these have had no material impact on the group.

- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The group does not currently hold any balance sheet liabilities for which cash flows are classified as financing activities.

- Amendments to IAS 12 'Income taxes' on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The group does not currently hold applicable debt instruments.

- IFRS 12 ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information. Previously it was unclear whether all other IFRS 12 requirements were applicable for these interests. The group does not currently have any interests in items requiring disclosure under the amended standard.

- Amendments to IFRS 2, ‘Share based payments’, on clarifying how to account for certain types of share-based payment transactions. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. The group results are not materially affected by these changes.

- IFRS 9 ‘Financial instruments’. This amendment replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The group currently does not have such instruments which would be materially affected by these changes.

- IFRS 15 ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The core principle is to recognise revenue when control of the goods or service transfers to the customer. This is opposed to recognising revenue when the risks and rewards transfer to the customer under the existing revenue guidance and determining an appropriate transaction price when multiple performance obligations exist. Group revenues in 2018 have been for machine sales delivered in the year. The changes to this standard have not had a material impact on the group results for this year.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these financial statements. None of these are expected to have a significant impact on the preparation of the financial statements of the group.

- IFRIC 22 ‘Foreign currency transactions and advance consideration’. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or prices in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. Based upon the initial assessment, this standard is not expected to have a material impact on the group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. The full impact of these standards has yet to be fully assessed.

- IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Grossing up the future lease liabilities shown at note 23 and including the asset and lease liability and accounting for principal and interest charges is not likely to have a material impact on the financial statements given the low value of the commitments. Based upon the initial assessment, this standard is expected to result in recognition of a right of use' asset and equivalent lease liability of approximately £0.4m.

- IFRIC 23 'Uncertainty over income tax treatments'. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC has clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

2. Segmental reporting

Operating segments

The Group reports these results in line with the following main reporting segments:

redT – redT develops and supplies durable and robust energy storage machines based upon a proprietary vanadium redox flow technology for on and off-grid applications. This operating segment also contains the corporate costs of the Group.

Camco – Camco business segment comprises of Africa, US and Carbon. Camco Africa manages an investment advisory mandate with Renewable Energy Performance Platform (REPP) in partnership with Greenstream Network Ltd. The US comprises the management of divested biogas assets via a service contract agreement. Carbon contains the EU ETS Compliance Services business.

Inter segment transactions are carried out at arm's length.

Operating segments

	redT		Camco		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	**2,525**	722	**1,637**	1,506	**4,162**	2,228
Gross profit/(loss)	**355**	370	**1,359**	1,502	**1,714**	1,872
Administrative expenses	**(12,066)**	(7,058)	**(1,319)**	(1,140)	**(13,385)**	(8,198)
Trading profit	**(11,711)**	(6,688)	**40**	362	**(11,671)**	(6,326)
Share-based payments	**(570)**	(906)	**–**	–	**(570)**	(906)
Loss from continuing operations	**(12,281)**	(7,594)	**40**	362	**(12,241)**	(7,232)
Discontinued operations	**–**	–	**(41)**	85	**(41)**	85
Results from operating activities	**(12,281)**	(7,594)	**(1)**	447	**(12,282)**	(7,147)
Finance income/(expense)					**14**	1
Foreign exchange movement					**(162)**	(252)
Taxation					**(92)**	(48)
Loss for the year					**(12,522)**	(7,446)
Total assets	**17,340**	21,746	**1,743**	2,165	**19,083**	23,911
Total liabilities	**(1,576)**	(2,593)	**(199)**	(746)	**(1,775)**	(3,339)
Capital expenditure	**382**	461	**–**	–	**382**	461
Depreciation	**274**	115	**–**	1	**274**	116

3. Revenue

The group derives the following types of revenue:

	2018	2017
	£'000	£'000
redT	**2,525**	722
Camco	**1,637**	1,506
Total revenue	**4,162**	2,228

4. Discontinued operations

The Group divested its holdings in Camco Africa Limited on 5 January 2018 for a nominal amount. The book and fair value of the net assets in the company at the time of sale was £nil, so the profit on the disposal was also £nil. The Group ceased its Carbon activities on 10 January 2018. These businesses constitute the discontinued operations in these financial statements. Financial information relating to the discontinued operations from the start of the year to the date of disposal/cessation and the prior year is set out below.

Results of the discontinued operation

	2018 £'000	2017 £'000
Revenue	**497**	8,102
Expenses	**(538)**	(8,017)
(Loss)/profit for the year	**(41)**	85

Cash (used in)/from discontinued operation

	2018 £'000	2017 £'000
Net cash (used in)/from operating activities	**(41)**	85
Net cash (used in)/from discontinued operations	**(41)**	85

5. Expenses and auditor's remuneration

Included in comprehensive income are the following:

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment – owned assets (Note 13)	**297**	116
Operating lease rental – land and buildings (Note 23)	**335**	187
Share-based payments (Note 7)	**570**	906

Services provided by the Group's auditor:

During the year the Group obtained the following services from the Company's auditor, PricewaterhouseCoopers LLP:

	2018 £'000	2017 £'000
Audit of these financial statements	**55**	55
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**10**	10
Non-audit services	**–**	8
Total services	**65**	73

6. Staff numbers and costs

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

	Number of employees	
	2018	2017
redT	**71**	45
Camco	**8**	15
	79	60

The aggregate payroll costs of continuing operations were as follows:

	2018 **£'000**	2017 £'000
Wages and salaries	**5,512**	3,956
Share-based payments (see Note 7)	**570**	906
Social security costs	**444**	315
Contributions to defined contribution plans (Note 8)	**93**	108
	6,619	5,285

Wages and salaries shown above include salaries paid in the year and bonuses relating to the year. These costs are charged within administration expenses.

7. Share-based payments

Over its history the Group has operated various share-based incentive plans: Long-Term Incentive Plan, the Camco 2006 Executive Share Plan the 2015 redT Employee Share Plan and the 2018 redT Employee Share Plan details of which are given below.

Long-Term Incentive Plan (the "LTIP")

The Board has historically approved the LTIP under which Directors and employees were entitled to equity-settled payment following annual vesting dates from 31 December 2008 up to 31 December 2012, upon certain market and non-market performance conditions being met in the years preceding the vesting dates.

The purpose of the LTIP was to incentivise Directors and employees to meet profit and share price performance targets over the years ending on the vesting dates. The LTIP aligned Director's objectives with those of the shareholders.

The LTIP is now closed and accordingly no further awards were made during the year. As at the beginning and end of the year, there were 750,000 options, vested and exercisable at 1.0 € cent per share held by Scott McGregor. Whilst in employment there is no defined time-lapse period, however post-employment termination, there is a 12-month exercise period.

Camco 2006 Executive Share Plan (the "Plan")

On 27 July 2012, the Company resolved at general meeting to amend the terms of the Plan such that awards could be made under the Plan for a period of 10 years from 27 July 2012 over up to 10 per cent of the ordinary shares in issue as 27 July 2012 plus any shares subsequently issued.

Under the Plan the Company can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and employees.

The purpose of the Plan was to incentivise Directors and employees to meet market (share price) and non-market (operational) performance targets over the vesting period.

The Plan is now closed and accordingly no further awards were made during the year. As at the beginning and end of the year there were 3,406,358 options, vested and exercisable, at 1.0 € cent per share held by Scott McGregor. These awards have a time-lapse period of 10 years from the date of grant (30 July 2023) or 12 months post-employment termination if earlier.

Notes (continued)

2015 and 2018 redT employee Share Plans

On 30 November 2015, the Company resolved at a general meeting to approve the 2015 redT employee Share Plan (the "2015 Plan"), which allowed for awards to be made up to 10% of the issued share capital of the Company from time to time.

Under the 2015 Plan the Company can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and employees.

The purpose of the 2015 Plan was to incentivise Directors and employees to meet market (share price) and non-market (operational) performance targets over the vesting period.

On 14 May 2018, the Board adopted the redT energy 2018 Employee Share Option Plan (the "2018 Plan"), which introduced HMRC scheme rules and includes a CSOP, EMI and unapproved part, and the redT energy 2018 Consultant Share Option Plan. The 2018 Plan replaces the 2015 Plan with a share option plan which is able to benefit from tax incentives offered by the UK Government relating to employee share incentives. Where appropriate, options previously granted under the 2015 Plan have been surrendered and reissued on exactly the same commercial terms as they were originally granted under the 2015 Plan.

- 7 December 2015 the Company awarded several employees (no Directors at the time) the option to acquire an allotted number of ordinary shares of up to €0.01 each in the capital of the Company at an Exercise Price of 5.6p per share (11,535,321 shares) and an Exercise Price of 1.179 € cents (1.063p at 31 December 2018 closing GBP/EUR rate) (13,898,307 shares). 6,949,153 of allotted options exercisable at 5.6p were forfeited in 2016, 416,886 in 2017 and 2,779,661 in 2018, leaving 1,389,621 outstanding at 31 December 2018.

- 30 June 2016 the Company awarded an employee (not a Director) the option to acquire an allotted 2,779,661 of ordinary shares of up to €0.01 each in the capital of the Company at an Exercise Price of 5.6p per share. These were all forfeited in 2018.

- 13 March 2017 the Company awarded to several employees, including Directors, the option to acquire an allotted number of ordinary shares of up to €0.01 each in the capital of the Company at an Exercise Price of 8p per share (20,225,000 shares). 9,500,000 of these options were forfeited in 2018 leaving 10,725,000 outstanding at 31 December 2018.

- 18 May 2018 the Company awarded several employees (including Directors) the option to acquire an allotted number of ordinary shares of up to €0.01 each in the capital of the Company at an Exercise Price of 5.9p per share (13,521,283 shares) and an Exercise Price of £7.05p (12,399,552 shares). 1,223,407 of allotted options exercisable at 5.9p and 3,829,245 options exercisable at 7.05p were forfeited in 2018 leaving 12,297,876 options at 5.9p and 8,570,307 options at 7.05p outstanding at 31 December 2018.

- 29 May 2018 the Company awarded several employees (including Directors) the option to acquire an allotted number of ordinary shares of up to €0.01 each in the capital of the Company at an Exercise Price of 5.95p per share (6,436,113 shares) and an Exercise Price of £7.0p (6,461,109 shares). 100,000 of allotted options exercisable at 5.95p were forfeited in 2018 leaving 6.336,113 5.95p options outstanding at 31 December 2018.

Exercise criteria for 2018 Plan (including reissued 2015 Plan) awards

Awards without performance criteria

41,571,975 unvested options at 31 December 2018: 25% of options vest on the 2nd anniversary of the commencement of employment, a further 25% on the 3rd anniversary of the date of grant, a further 25% on the 4th anniversary of the date of grant and the remainder on the 5th anniversary of the date of grant. The option period will survive after the vesting conditions are satisfied for up to 36 months if the Company remains quoted. The fair value of the options at the date of grant were:

Date of award	Exercise price	Fair value
31 December 2015	1.179€ cents	7.69p
31 December 2015	5.60p	4.68p
13 March 2017	8.00p	4.86p
18 May 2018	5.90p	2.60p
18 May 2018	7.05p	2.43p
29 November 2018	5.95p	2.19p
29 November 2018	7.00p	2.05p

The fair value of these options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted combined with management's best estimate of the extent to which options will be forfeited in the future.

Awards with performance criteria

3,250,000 of unvested options will vest based upon a non-market performance condition. These options will vest upon the achievement of specific and measurable operational targets set by the Board. The fair value at the date of grant was 5.31p.

The fair value of these options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted combined with an estimate of the extent to which the operational targets will be satisfied.

3,250,000 of granted options will vest based upon a market-based performance condition. These options will vest upon the Company's 90-day volume weighted average share price reaching the level of 15p. The fair value at the date of grant was 4.71p.

The fair value of these share options is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which the options were granted.

In respect of all the awards above, the fair value at the grant date is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The expense charged in respect of these plans is set out below.

	2018 **£'000**	2017 £'000
2015 & 2018 redT Employee Share Plans	**570**	906
	570	906

The movements in outstanding unvested and vested options is set out below.

	2018 Average exercise price	**2018 Number of options**	2017 Average exercise price	2017 Number of options
Unvested Options				
Outstanding at the beginning of the year	**5.379p**	**33,055,354**	2.597p	21,264,136
Granted	**6.459p**	**38,818,057**	8.000p	20,225,000
Forfeited	**7.017p**	**(18,392,059)**	5.600p	(416,886)
Vested	**3.134p**	**(5,229,377)**	4.675p	(8,016,896)
Outstanding at the end of the year	**5.844p**	**48,251,975**	5.379p	33,055,354
Vested not exercised options				
Outstanding at the beginning of the year	**3.382p**	**12,173,254**	0.852p	4,156,358
Vested	**3.134p**	**5,229,377**	4.675p	8,016,896
Expired	**7.084p**	**(1,819,915)**		–
Outstanding at the end of the year	**2.820p**	**15,582,716**	3.382p	12,173,254

8. Retirement obligations

Defined contribution plans

In the UK the Group operates a defined contribution, retirement benefit plan for qualifying employees. The assets of this plan are held separately from those of the Group. The only obligation of the Group is to make the contributions.

The total expense recognised in the income statement is £93,091 (2017: £107,584), which represents the contributions paid to the plan. There were no outstanding payments due to the plan at the balance sheet date.

9. Net finance income

	2018 £'000	2017 £'000
Finance income		
Interest on bank deposits	**14**	1
	14	1
Foreign exchange movements	**(162)**	(68)
Net finance expense	**(148)**	(67)

10. Taxation

Recognised in the income statement

	2018 £'000	2017 £'000
Current tax expense/(credit):		
Foreign tax	**7**	(18)
Deferred tax expense:		
Movement in deferred tax asset in current year	**85**	66
Total income tax in the income statement	**92**	48

The tax charge for the period is lower (2017: lower) than the 0% rate of corporation tax in Jersey and the differences are explained below:

Reconciliation of effective tax rate

	2018 £'000	2017 £'000
Loss before tax	**(12,389)**	(7,483)
Loss before tax at 0% rate of corporation tax in Jersey (2017: 0%)	**–**	–
Effects of:		
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,058)**	(928)
Non-deductible expenses	**3**	(5)
Origination and reversal of timing differences recognised	**85**	30
Unutilised losses carried forward and not recognised	**2,062**	951
Total income tax charge/(credit) in the income statement	**92**	48

The Company's subsidiaries carry on business in other tax regimes where the corporation tax rate is not zero. At 31 December 2018, the Group had tax losses carried forward within certain UK subsidiaries available for use in future periods amounting to £22,174k (2017: £11,234k). Under current tax legislation these tax losses can be carried forward indefinitely and be set of against future profits arising from the same activities at the tax rate prevailing at that time. Due to the uncertainty regarding the timing and extent of future profits within these UK subsidiaries, no deferred tax assets have been recognised in respect of these tax losses. Deferred tax has also ceased to be recognised on the timing differences between accounting and tax treatment in these UK subsidiaries given the off-setting tax losses on which no deferred tax has been recognised.

Deferred Tax

2018		**1 January £'000**	**Current year charge £'000**	**31 December £'000**
Share options		**127**	**(127)**	**–**
Accelerated capital allowances		**(42)**	**42**	**–**
		85	**(85)**	**–**

2017	1 January £'000	Current year credit /(charge) £'000	Foreign exchange movement £'000	31 December £'000
Share options	161	(31)	(3)	127
Accelerated capital allowances	(12)	(29)	(1)	(42)
	149	(60)	(4)	85

Timing differences and tax losses on which deferred tax is not recognised

	2018 £'000	2017 £'000
Accelerated capital allowances	**(35)**	(42)
Share Options	**197**	127
Tax losses	**22,174**	11,234
	22,336	11,319

11. Loss per share

Loss per share attributable to equity holders of the Company is calculated as follows:

	2018 Pence per share	2017 Pence per share
Basic loss per share		
From continuing operations	**(1.76)**	(1.17)
From continuing and discontinued operations	**(1.77)**	(1.16)
Diluted loss per share		
From continuing operations	**(1.76)**	(1.17)
From continuing and discontinued operations	**(1.77)**	(1.16)
	£'000	**£'000**
Loss used in calculation of basic and diluted loss per share		
From continuing operations	**(12,640)**	(7,482)
From continuing and discontinued operations	**(12,681)**	(7,397)
Weighted average number of shares used in calculation		
Basic	**718,771,339**	637,107,480
Diluted	**718,771,339**	637,107,480

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. Where the inclusion of potentially issuable shares decreases the loss per share (anti-dilutive), the potentially issuable shares have not been included. This was the situation for both the 2018 and 2017 calculations. The weighted average number of shares not included in the diluted share calculation because they were anti-dilutive was 44,361,763 (2017: 41,294,430).

Weighted average number of shares used in calculation – basic and diluted

	2018 Number	2017 Number
Number in issue at 1 January	**653,923,424**	467,928,894
Effect of shares issued in the year	**64,847,915**	–
Weighted average number of basic shares at 31 December	**718,771,339**	637,107,480
Effect of share options granted not yet exercised which are not anti-dilutive	**–**	–
Weighted average number of diluted shares at 31 December	**718,771,339**	637,107,480

12. Directors' share interests

	2018 Number	2017 Number
Executive Directors		
Scott McGregor*	**11,973,126**	11,973,126
Non-executive Directors		
Jonathan Marren	**7,743,815**	7,743,815
Jeffrey Kenna	**2,162,325**	2,162,325
Neil O'Brien	**625,000**	625,000
Michael Farrow	**86,230**	86,230

*Scott McGregor ceased to be a Director on 14 March 2019, but remains with the business to run the operations.

The beneficial interests of the Directors in the ordinary share capital of the Company are shown above. In addition, the executive Directors have conditional rights to acquire shares arising from awards granted under the Share Based Incentive Plan. These awards are detailed in the Report of the Remuneration Committee on pages 21 to 24.

13. Property, plant and equipment

	Computer and office equipment £'000	Leasehold improvement £'000	Property plant & equipment £'000	Total £'000
Cost at 1 January 2018	**530**	**229**	**22**	**781**
Additions	**241**	**73**	**68**	**382**
Cost at 31 December 2018	**771**	**302**	**90**	**1,163**
Accumulated depreciation at 1 January 2018	**(287)**	**(62)**	**(3)**	**(352)**
Charge for the year	**(140)**	**(109)**	**(24)**	**(273)**
Accumulated depreciation at 31 December 2018	**(427)**	**(171)**	**(27)**	**(625)**
Net book value at 31 December 2018	**344**	**131**	**63**	**538**
Net book value at 31 December 2017	**243**	**167**	**19**	**429**

14. Intangible assets and goodwill

Goodwill – Subsidiary acquisition (REDH)

	2018 £'000	2017 £'000
Cost at 1 January	**7,257**	6,970
Effect of movements in foreign exchange	**105**	287
Cost at 31 December	**7,362**	7,257

Intangible assets – R&D (REDH)

	2018 £'000	2017 £'000
Cost at 1 January and 31 December	**6,046**	5,806
Effect of movements in foreign exchange	**83**	241
Cost at 31 December	**6,129**	6,047

Total Goodwill & Intangible Assets

	2018 £'000	2017 £'000
Cost at 1 January and 31 December	**13,491**	13,304

Amortisation

Amortisation of the intangible assets will begin once the redT energy storage system becomes fully commercialised, with the recognition of revenue in the Statement of Comprehensive Income for the sale of a commercial system. Whilst sales were recognised in the year ended 31 December 2018 they only occurred in the last month of the year and related to sales of Gen 2 machines which were not expected to and did not create a positive margin. The above criterion has therefore yet been achieved. A review will be undertaken in 2019 to confirm the amortisation status of the intangible asset, as well as to determine the effective useful life.

Goodwill is not amortised but tested annually for impairment.

Impairment testing

Goodwill and intangible assets have been allocated to the redT cash generating unit (CGU). The Group conducts a formal review to determine whether the carrying value of intangible assets, including goodwill, can be supported. This impairment review comprises a value in use comparison, where the carrying amount of the intangible assets are compared with the recoverable amount, the Net Present Value (NPV) obtained by discounting the future cash flows of the CGU. The recoverable amount attributable to the intangible assets exceeded the carrying amount at the 31 December 2018.

The cash flow forecasts used for the above analysis were derived from the most recent financial results and the 2019-2022 Business Plan approved by management and the Board. The key assumptions for the NPV calculation were the discount rate applied to projected positive net cash flows of 20% (pre-cash generative cashflows have been discounted at 2.5%) and growth rate beyond 2022 of 2.5%, in line with the long-term inflation assumption of 2.5%.

An increase in the discount rate to 25% reduces, but does not eliminate, the excess of the recoverable amount over the carrying value. Similarly, a reduction in the growth rate beyond the forecast period from 2.5% to 0% reduces, but does not eliminate, the excess of the recoverable amount over the carrying value.

15. Inventories

	2018	2017
	£'000	£'000
Stock	**393**	297
Work in progress	**130**	101
Finished goods	**2**	152
	525	550

The cost of inventory written down during the year was £592k (2017: £Nil).

16. Prepayments and accrued income

	2018	2017
	£'000	£'000
Prepayments	**371**	858
Accrued income	**255**	89
	626	947

17. Trade and other receivables

	2018	2017
	£'000	£'000
Trade receivables	**373**	1,386
Other receivables	**186**	588
	559	1,974

18. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	**505**	265
Accruals	**1,028**	1,182
Other payables	**34**	40
	1,567	1,487

19. Deferred income

	2018 £'000	2017 £'000
Non-current liabilities		
Deferred income	**35**	62
Current liabilities		
Deferred income	**173**	1,789

20. Issued share capital and reserves

	Number 2018 '000	2018 '000	Number 2017 '000	2017 '000
Authorised				
Ordinary shares of €0.01	**1,250,000**	**10,994**	1,250,000	11,107
Issued and fully paid				
All ordinary shares of €0.01 (all classified in shareholders' funds)				
Issued on 1 January	**653,923**	**5,560**	467,929	3,988
Issued in the year	**137,296**	**1,217**	185,994	1,572
Issued at 31 December	**791,219**	**6,777**	653,923	5,560

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share-based payment reserve

The share-based payment reserve comprises the equity component of the Company's share-based payments charges.

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserve

Other reserve comprises the portion of the consideration paid for REDH minority interests over the fair value of the shares purchased.

Non-controlling interest

Non-controlling interest comprises a 0.3% shareholding in REDH.

21. Financial risk management

The Group Financial Risk Management framework addresses the following key risks:

Market risk

The carbon market is subject to political and regulatory risk on a national, regional and global basis. The consequence of the interaction of these frameworks and regulation is that the market price for carbon credits has been significantly affected by demand and supply considerations which have led to large fluctuations in market prices. The Group actively manages this risk by locking in a buy/sell price for all transactions.

Counterparty credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk arises from the Group's operating activities, primarily its receivables from customers. The Group has implemented a credit scoring process for all new customers (and existing customers of a certain size) that highlights credit risk and aids the prevention of bad debt. Credit risk is analysed further in Note 21.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to maintain sufficient funds on call to meet these requirements as they fall due with the rest of cash on term deposit in the relevant currencies as set out below. Liquidity risk is analysed further in Note 21.

Foreign exchange risk

The Group is exposed to foreign exchange translation risk on receivables, payables and cash when balances held are denominated in a currency other than the functional currency of the Group which is the Euro. The Group operates a policy of not speculating on foreign exchange and aims to mitigate its overall foreign exchange risk by holding currency in line with regional operating expense, acting as a natural hedge against adverse foreign exchange movement.

The currency exposure on balances held is set out below:

	Euro £'000	Sterling £'000	US Dollar £'000	Chinese Yuan £'000	South African ZAR £'000	Australian Dollar £'000	Total £'000
31 December 2018							
Cash and cash equivalents	**68**	**1,822**	**1,345**	**89**	**20**	**–**	**3,344**
Trade and other receivables	**30**	**180**	**324**	**–**	**22**	**3**	**559**
Trade and other payables	**(768)**	**(586)**	**(204)**	**1**	**(4)**	**(6)**	**(1,567)**
Net exposure	**(670)**	**1,416**	**1,465**	**90**	**38**	**(3)**	**2,336**

31 December 2017	Euro £'000	Sterling £'000	US Dollar £'000	Chinese Yuan £'000	South African ZAR £'000	Total £'000
Cash and cash equivalents	921	4,749	785	128	20	6,603
Trade and other receivables	355	1,080	533	–	5	1,974
Trade and other payables	(659)	(735)	(64)	–	(30)	(1,488)
Net exposure	617	5,094	1,254	128	(5)	7,089

A 5% weakening of the following currencies against the GBP at 31 December 2018 would have increased/(decreased) equity and profit and loss, via exchange differences on translation of foreign operations within the Income Statement, by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 December 2017.

	2018 £'000	2017 £'000
Sterling	**–**	(243)
Euro	**32**	–
US Dollar	**(70)**	(60)
Chinese Yuan	**(4)**	(6)
South African ZAR	**(2)**	–
Australian Dollar	**(3)**	–
	(47)	(309)

A 5% strengthening of the above currencies against the GBP at 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair value of financial assets and liabilities

The Directors are of the view that there is no material difference between the carrying values and fair values of the Group's financial assets and liabilities.

Capital management

Given the Group's development stage, the Board has pursued an equity only funding model and thus currently the Group's capital is solely equity. The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. To ensure this, the board regularly reviews the Group's cash requirements and future projections. From time to time the Group purchases its own shares on the market primarily to be used for issuing shares under the Group's share option programme. The Group does not have a defined share buy-back plan or dividend policy. The Group is not subject to any externally imposed capital adequacy maintenance requirements.

22. Financial instruments

Credit risk

The Directors consider that the carrying value of certain financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

	2018 **£'000**	2017 £'000
Trade and other receivables	**559**	1,974
Cash on deposit	**3,344**	6,603
	3,903	8,577

The ageing of trade and other receivables at the balance sheet date was:

	2018 **£'000**	2017 £'000
Current	**143**	1,537
Past due under 30 days	**162**	99
Past due between 31 and 120 days	**254**	338
	559	1,974

As at 31 December 2018, trade receivables of £416,000 (2017: £432,735) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Trade receivables have not been impaired as all amounts are recoverable (2017: £3,554).

The creation and release of provision of impaired receivables has been included in administrative expenses in the Statement of Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Impairment losses

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2018 **£'000**	2017 £'000
Balance at 1 January	**4**	1
Written off against provision	**–**	(2)
Increase/(reduction) in provision	**(4)**	6
Effects in movement of foreign exchange	**–**	(1)
Balance at 31 December	**–**	4

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes (continued)

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact netting agreements for both continuing and discontinued operations:

Non-derivative financial liabilities

2018	**Carrying £'000**	**Contractual £'000**	**1 year or less £'000**
Trade payables	**504**	**504**	**504**
Accruals	**1,027**	**1,027**	**1,027**
Other payables	**34**	**34**	**34**

2017	Carrying £'000	Contractual £'000	1 year or less £'000
Trade payables	265	265	265
Accruals	1,184	1,184	1,184
Other payables	39	39	39

There are no derivative financial instruments.

23. Financial commitments

At the end of the reporting period, the Group's future minimum lease payments under operating leases were as follows:

Operating lease commitments

	2018 £'000	2017 £'000
Less than one year	**186**	188
Between 1 year and 5 years	**197**	443
	383	631

The leases relate to rent for properties within the Group. 2017 also includes company vehicles which were all terminated in 2018.

24. Related parties

The Group's related business partner is The Oak Group Ltd (formerly Consortia Secretaries Limited) which is 100% owned by Consortia Partnership Limited ("Consortia") who have been appointed Company Secretary. Michael Farrow, a non-executive Director of the Company, is a Director of The Oak Group. The amounts charged to administration expenses in respect of these services are shown in the table below.

Income statement

	2018 £'000	2017 £'000
Administrative expenses:		
The Oak Group Ltd	**27**	36

Balance sheet

	2018 £'000	2017 £'000
Trade and other payables:		
The Oak Group Ltd	**–**	–

Key management personnel

The Group's key management personnel comprise the Board of Directors whose emoluments are detailed below.

	2018 Salaries and fees £'000	2018 Benefits in kind £'000	2018 Termination Payments £'000	2018 Pension benefits* £'000	2018 Total £'000
Executive Directors					
Scott McGregor	**200**	**3**	**–**	**10**	**213**
Fraser Welham	**121**	**4**	**–**	**6**	**131**
David Stewart	**122**	**2**	**88**	**6**	**218**
Scott Laird	**36**	**–**	**24**	**–**	**60**
Non-executive Directors					
Jeffrey Kenna	**60**	**–**	**–**	**–**	**60**
Michael Farrow	**30**	**–**	**–**	**–**	**30**
Jonathan Marren	**35**	**–**	**–**	**–**	**35**
Neil O'Brien	**30**	**–**	**–**	**–**	**30**
Total	**650**	**9**	**112**	**6**	**777**

* During 2018 Scott Laird waived his contractual entitlement to pension contributions (5%).

	2017 Salaries and fees £'000	2017 Benefits in kind £'000	2017 Pension benefits* £'000	2017 Total £'000
Executive Directors				
Scott McGregor	200	1	–	201
David Stewart	100	2	4	105
Scott Laird	65	–	–	65
Non-executive Directors				
Jeffrey Kenna	60	–	–	60
Michael Farrow	30	–	–	30
Jonathan Marren	35	–	–	35
Neil O'Brien	26	–	–	26
Zainul Rahim bin Mohd Zain	16	–	–	16
Total	532	3	4	539

* During 2018 Scott McGregor and Scott Laird waived their contractual entitlement to pension contributions (5%).

Directors' interests in the shares of the Company are disclosed in Note 12.

In 2018 the spouse of Scott McGregor invoiced and was paid £10,215 for Project work undertaken in 2018. Scott McGregor was not involved in the negotiations for the services which were carried out by the redT project manager and signed off by the Chairman at the time, Jeff Kenna.

Following the sale of Camco Africa Limited (CAL) in January 2018, the Group provided the services of one of its South African employees to CAL's wholly owned subsidiary, Camco Management Limited, under a services agreement. Scott McGregor is a director of CAL and was a shareholder in the company during 2018. Scott McGregor was not involved in the negotiations of the services which were carried out by the Scott Laird, redT's Finance Director at the time. The amount invoiced for these services during 2018 was £21,134. All invoices were settled during the year and there was nil outstanding at the 31 December 2018.

25. Post balance sheet events

On 5 April 2019 the Group completed the divestment of its legacy Camco business with the sale of its wholly owned subsidiary Camco International Group Inc. ('CIG'). This business provides project development and asset management services to biogas projects in the USA.

CIG was sold to an entity controlled by Jim Wiest, Managing Director of CIG. Cash receipts from the sale consist of a distribution of US$1.0 million to the Group funded by a loan into CIG from a third party plus US$0.5m of further consideration payable in two equal instalments, the first paid on 30 April 2019 and the balance due 31 July 2019.

The divestment of CIG constituted a related party transaction under the AIM Rules. The Directors concluded, having consulted with Investec acting in its capacity as the Company's Nominated Adviser, that the terms of the sale were fair and reasonable insofar as the Company's shareholders were concerned.

On 9 April 2019 the Group raised £3.20m (before expenses) via a placing and open offer of 160,031,304 ordinary shares at a price of 2.0p. The new shares were admitted to trading on AIM on 10 April 2019. Following admission, the Group's enlarged issued share capital comprised 951,520,436 ordinary shares.

26. Group entities

Significant subsidiaries

Each of the following subsidiary undertaking is included in the consolidated financial statements of the Group:

Investment	Country of incorporation	Principal activity	Ownership 2018	2017
Direct subsidiary undertakings				
Camco Holdings UK Limited	England	Holding Company	**100%**	100%
Camco Services (UK) Limited	England	Support Services	**100%**	100%
Camco (Mauritius) Limited	Mauritius	Holding Company	**100%**	100%
CI Camco (Cyprus) Limited	Cyprus	Consultancy	**100%**	100%
Indirect subsidiary undertakings				
redT energy Holdings (UK) Limited	England	Research & Consultancy	**100%**	100%
Re-Fuel Technology Limited	England	Energy Storage	**99%**	99%
redT energy (UK) Limited	England	Energy Storage	**99%**	99%
redT energy Holdings (Ireland) Limited	Ireland	Energy Storage	**99%**	99%
redT energy (Ireland) Limited	Ireland	Energy Storage	**99%**	99%
redT energy Australia (Pty) Ltd	Australia	Energy Storage	**99%**	n/a
Camco International Group, Inc.	USA	Business Services	**100%**	100%
redT energy South Africa (Pty) Limited	South Africa	Business Services	**100%**	100%
Camco International Carbon Asset Information Consulting (Beijing) Co. Limited	The People's Republic of China	Business Services	**100%**	100%

The following entities, which were subsidiary undertakings as at 1 January 2018, were either sold or wound up during the year:

Investment	Country of incorporation	Principal activity	Ownership 2018	2017
Direct subsidiary undertakings				
Camco Africa Limited	Jersey	Consultancy	**Sold**	85%
Camco Sales Limited	England	Carbon Sales	**Sold**	100%
Camco II Limited	Jersey	Carbon Contractor	**Wound up**	100%
Camco Voluntary Credits Limited	Jersey	Carbon Contractor	**Wound up**	100%
Indirect subsidiary undertakings				
Camco Management Limited	England	Consultancy	**Sold**	85%