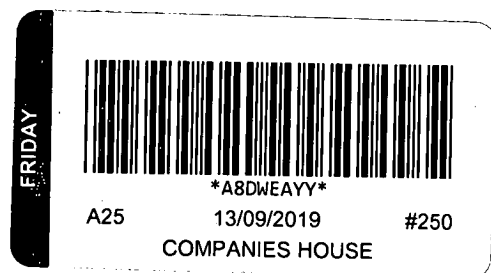


**FIRST LIGHT FUSION LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**



**First Light Fusion Limited**  
**Financial Statements**  
**For The Year Ended 31 March 2019**

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**First Light Fusion Limited**  
**Statement of Financial Position**  
**As at 31 March 2019**

Registered number: 07555858

	Notes	2019		2018	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible Assets	5		1,514,520		1,496,993
			1,514,520		1,496,993
<b>CURRENT ASSETS</b>					
Debtors	6	295,508		262,068	
Debtors: amounts falling due within one year	6	2,420,515		3,101,371	
Cash at bank and in hand		4,939,872		11,072,014	
			7,655,895		14,435,453
<b>Creditors: Amounts Falling Due Within One Year</b>	7		(510,709)		(1,066,958)
<b>NET CURRENT ASSETS (LIABILITIES)</b>			7,145,186		13,368,495
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			8,659,706		14,865,488
<b>Creditors: Amounts Falling Due After More Than One Year</b>	8		(100,000)		(100,000)
<b>NET ASSETS</b>			8,559,706		14,765,488
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		686		672
Share premium account			25,483,887		25,233,899
Other reserves			2,590,906		889,574
Income Statement			(19,515,773)		(11,358,657)
<b>SHAREHOLDERS' FUNDS</b>			8,559,706		14,765,488

The financial statements have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies' subject to the small companies' regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies' subject to the small companies' regime.

The financial statements were approved by the board on *5th September 2019* and signed on its behalf by

*D.S.B., -*

David Bryon

The notes on pages 2 to 6 form part of these financial statements.

**First Light Fusion Limited**  
**Notes to the Financial Statements**  
**For The Year Ended 31 March 2019**

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**1. General Information**

First Light Fusion Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 10 Mead Road, Yarnton, Kidlington, Oxfordshire, OX5 1QU.

**2. Accounting Policies**

**2.1. Basis of Preparation of Financial Statements**

The financial statements of the Company have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

**2.2. Going Concern**

The company expects to demonstrate nuclear fusion from its prototype machine, Machine 3, in autumn 2019. Cash at the balance sheet date was £4.9 million. Additional cash of more than £2 million is due to be received by the company from HMRC as an R&D Tax Credit, as such under current spending plans the company has an expected cash-out horizon of March 2020. After this date additional cash will be required to continue to fund the Company's research and development activity. Equity funding, tied to the fusion result, is currently being negotiated with existing investors. There is a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern around the timing of the fusion result and thus the source of future funding.

The company's technology to derive nuclear fusion is comprised of two main components. First, a driver is required to input energy to the system. Second, targets must take that energy, create convergence, multiply velocity and so amplify the input pressure to much higher levels. To achieve fusion, the driver must provide sufficient energy, as measured by projectile velocity. The company has recorded and presented evidence to the board that this required velocity can be achieved using Machine 3. To achieve nuclear fusion, the targets must couple this energy to create sufficient pressures within the target to allow fusion to take place. The evidence from our computer modelling and simulations has demonstrated that target performance from several different target designs can achieve the conditions necessary for fusion given the achievable input pressures from the driver, and past simulations have translated to actual performance. The board is therefore confident that delivery of the fusion result is an engineering risk, not a science risk. In the board's view, it is a question of when, not if, the fusion result will be achieved.

Progress on the post-fusion equity funding agreement gives the board confidence that, upon achieving fusion, funding shall be secured. If the fusion result is delayed beyond March 2020, the company shall request top-up funding from investors, not subject to the fusion result. This top-up funding has not been discussed with all shareholders but has been discussed with the principal investor who has indicated willingness to provide this. Given the current confidence in the technology and the value so far created by the research, the board is reasonably confident of receiving financial support from existing investors.

The accounts have therefore been prepared on a going concern basis. However, should the company be unable to demonstrate fusion with the technology, or a delay be so significant for the shareholders to withdraw their support, the company may be unable to realise its assets and discharge its liabilities. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

**2.3. Tangible Fixed Assets and Depreciation**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributed to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold	Straight line over 4 years
Plant & Machinery	Straight line over 4 years
Fixtures & Fittings	Straight line over 4 years
Computer Equipment	Straight line over 4 years

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 March 2019**

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#### **2.4. Operating Leases**

Rentals payable under operating leases, including incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### **2.5. Financial Instruments**

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the Company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets which include debtor and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financial transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments and subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **2.6. Foreign Currency Translation**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the statement of comprehensive income for the period.

#### **2.7. Taxation**

Due to continuing basis, there is no charge to corporation tax. The Company recognises R&D Tax Credits on an accruals basis when an accurate precision can be made.

##### **Deferred Tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **2.8. Pensions**

Payments to defined contribution retirement benefit schemes are charged as the service is provided.

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 March 2019**

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**2.9. Government Grant**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**2.10. Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Exemption has been taken on recognising share-based payment transactions that have arisen prior to the first reporting period under FRS 102 as available to small companies.

**2.11. Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**2.12. Research and development**

Research expenditure is written off against profits in the year in which it is incurred, identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

**2.13 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**2.14 Interest Income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

**2.15 Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

**2.16. Registrar Filing Requirements**

The company has taken advantage of Companies Act 2006 section 444(1) and opted not to file the income statement, directors report, and notes to the financial statements relating to the income statement. The notes which are not included have been hidden but original note numbering has remained the same for those that are present.

**3. Operating Loss**

The operating loss is stated after charging:

	2019	2018
	£	£
Depreciation of tangible fixed assets	652,725	489,524

**4. Average Number of Employees**

Average number of employees, including directors, during the year was 42 (2018 - 32).

The directors have taken the exemption under section 1A of FRS 102 to not disclose director's remuneration as it was concluded under normal market conditions.

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 March 2019**

**5. Tangible Assets**

	<b>Land &amp; Property</b>				
	<b>Leasehold</b>	<b>Plant &amp; Machinery</b>	<b>Fixtures &amp; Fittings</b>	<b>Computer Equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
As at 1 April 2018	462,417	1,435,961	47,775	360,869	2,307,022
Additions	11,338	438,138	9,110	211,666	670,252
As at 31 March 2019	473,755	1,874,099	56,885	572,535	2,977,274
<b>Depreciation</b>					
As at 1 April 2018	151,076	531,857	15,642	111,454	810,029
Provided during the period	116,751	413,998	13,164	108,812	652,725
As at 31 March 2019	267,827	945,855	28,806	220,266	1,462,754
<b>Net Book Value</b>					
As at 31 March 2019	205,928	928,244	28,079	352,269	1,514,520
As at 1 April 2018	311,341	904,104	32,133	249,415	1,496,993

**6. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Due within one year</b>		
Prepayments and accrued income	336,159	1,159,154
Other debtors	32,131	174,801
Corporation tax recoverable assets	2,052,225	1,767,416
	<b>2,420,515</b>	<b>3,101,371</b>
<b>Due after more than one year</b>		
Other debtors: amount falling due after more than one year	222,516	167,516
Prepayments: amount falling due after more than one year	72,992	94,552
	<b>295,508</b>	<b>262,068</b>

**First Light Fusion Limited**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 March 2019**

**7. Creditors: Amounts Falling Due Within One Year**

	2019	2018
	£	£
Trade creditors	116,714	699,219
Other taxes and social security	114,312	4,065
Other creditors	4,426	25,645
Accruals and deferred income	275,257	338,029
	<b>510,709</b>	<b>1,066,958</b>
	<b>510,709</b>	<b>1,066,958</b>

**8. Creditors: Amounts Falling Due After More Than One Year**

	2019	2018
	£	£
Accruals and deferred income	100,000	100,000
	<b>100,000</b>	<b>100,000</b>
	<b>100,000</b>	<b>100,000</b>

**9. Share Capital**

	2019	2018
	£	£
<b>Allotted, called up and fully paid</b>		
656,806 (2018 - 654,872) Ordinary shares of £0.001 each	657	655
28,529 (2018 - 16940) A Ordinary shares of £0.001 each	29	17
	<b>686</b>	<b>672</b>
	<b>686</b>	<b>672</b>

During the year the Company has allotted and issued 1,934 ordinary shares of £0.001 each and 11,589 A ordinary shares of £0.001 for a total aggregate nominal value of £13.52 and consideration received of £140,600 and £109,388 respectively.

**10. Commitments under operating leases**

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
	<b>98,150</b>	<b>294,450</b>
	<b>98,150</b>	<b>294,450</b>

**11. Related party transactions**

The directors consider all transactions with related parties to have been concluded under normal market conditions.

**12. FRC Ethical Standard - Provision Available for Small Entities**

In common with other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

**11. Audit Information**

The auditors' report on the account of First Light Fusion Limited for the year ended 31 March 2019 was unqualified. The auditor's report was signed on 9<sup>th</sup> September 2019 by David Hales (Senior statutory auditor) on behalf of Ernst & Young LLP.