

Ceres Power Holdings plc

Interim results for the six months ended 30 June 2023

Horsham, UK: Ceres Power Holdings plc ("Ceres", the "Company") (CWR.L), a global leader in fuel cell, electrolysis and electrochemical technology, announces its interim results for the six months ended 30 June 2023.

Financial update

- Revenue increased by 17% to £11.3 million (H1 2022: £9.7 million)
- Gross profit of £6.9 million (H1 2022: £4.7 million), maintaining sector-leading gross margin at 61% (H1 2022: restated to 49%)
- "Investment in the future"¹ increased by 19% to £30.6 million (H1 2022: £25.7 million), in line with strategy to expand into electrolysis for green hydrogen and deliver the next generation of fuel cell technology
- Reduction in equity free cash outflow by 24% to £21.8m from £28.6m
- Cash and investments of £161.2 million as at 30 June 2023 (31 December 2022: £182.3 million)

Strategic highlights

- Bosch's 'Power Units' have received European funding of ~€160 million as an Important Project of Common European Interest (IPCEI) to support the development and mass production of its solid oxide fuel cell product, utilising Ceres' stack technology
- Building construction for Doosan's 50MW factory in South Korea is now complete. All machinery and processes have undergone factory acceptance testing, installation is almost complete, and commissioning is on schedule for completion in H2 2024
- Our second-generation design of fuel cell stacks has passed Critical Design Review (a key milestone), which offers improvements in performance and cost for SOFC partners
- The first-of-a-kind megawatt-scale electrolyser is undergoing commissioning and initial testing at AVL in Germany, in preparation for deployment at the end of this year to Shell's R&D centre in Bangalore, India, in line with the timetable set out in the 28 June 2022 announcement
- A two-year collaboration with Linde Engineering and Bosch has been signed to validate the performance, cost, and operational functionality of Ceres' electrolyser technology, which starts next year
- Ceres has been announced as the Winner of the Royal Academy of Engineering's 2023 MacRobert Award, widely regarded as the UK's most prestigious prize for engineering innovation
- Further augmented the Board with Karen Bomba and Caroline Brown joining as Non-Executive Directors
- As of 18 September 2023, Ceres has joined the FTSE 250 index, following its graduation from AIM to a Premium Listing on the Main Market of the London Stock Exchange

Current trading and outlook

- As previously announced, given the continued delay of signing the China JVs with Bosch and Weichai, as well as taking into account time needed for regulatory clearances, we do not expect revenue associated with these to be recognised this year
- Full-year growth against the prior year is subject to the timing of securing new licensees

Phil Caldwell, Chief Executive Officer of Ceres said: *"We are at an important stage of the Company's growth as we support our partners to scale manufacture for our existing fuel cell business, and make rapid progress in the development of our game-changing electrolyser technology, which will enable new partnerships to address the huge market opportunity for green hydrogen. Our recent inclusion in the FTSE250 index and the recognition for engineering innovation of the MacRobert Award have been made possible by the progress of the Company, and the hard work the team has put into maturing the Ceres technology over many years."*

1. "Investment in the future" comprises R&D costs, capitalised development and capital expenditure.

Financial Summary:

	Six months ended 30 June 2023 Unaudited £'000	Six months ended 30 June 2022 Unaudited Restated ¹ £'000	12 months ended 31 December 2022 Audited £'000
Total revenue, comprising:	11,310	9,687	22,130
Licence fees	3,401	3,404	7,711
Engineering services revenue	4,679	4,206	9,039
Provision of technology hardware	3,230	2,077	5,380
Gross profit	6,868	4,735	13,051
Gross margin¹ %	61%	49%	59%
Adjusted EBITDA loss²	(23,769)	(20,808)	(43,230)
Operating loss	(28,482)	(25,516)	(51,522)
Net cash used in operating activities	(15,457)	(20,599)	(51,522)
Net cash and investments	161,230	221,625	182,320

¹ The results for the six months ended 30 June 2022 has been restated (gross margin was previously 55%) to reflect the classification of the RDEC tax credit within other operating income rather than offsetting cost of sales and to reduce the credit by £313,000 following the adjustment of prior year R&D tax credit claims. See Note 1 for details.

² Adjusted EBITDA loss is an Alternative Performance Measure, as defined and reconciled to operating loss in the non-GAAP section at the end of this report.

Analyst presentation

Ceres Power Holdings plc will be hosting a live webcast for analysts and investors on 28 September 2023 at 09.30 BST. To register your interest in participating, please go to: <https://www.investormetcompany.com/ceres-power-holdings-plc/register-investor>.

For further information visit www.ceres.tech or contact:

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About Ceres Power

Ceres is a world-leading developer of electrochemical technologies: fuel cells for power generation, electrolysis for the creation of green hydrogen and energy storage. Its asset-light, licensing model has seen it establish partnerships with some of the world's largest engineering and technology companies, such as Bosch, Doosan, Shell, Linde and Weichai, to develop systems and products that address climate change for power generation, transportation, industry, data centres and everyday living. Ceres is listed on the London Stock Exchange ("LSE") (LSE: CWR) and is classified by the LSE Green Economy Mark, which recognises listed companies that derive more than 50% of their activity from the green economy.

Chief Executive's Statement

Over the summer, we have yet again witnessed record high temperatures, flooding across northern China and devastating fires in Canada, southern Europe and Hawaii. It seems nowhere is immune from the effects of climate change, and the need for rapid deployment of technologies that significantly reduce greenhouse gas emissions, whilst continuing to meet our energy and economic demands, is as urgent as ever.

Wholesale change of our energy systems is not straightforward, and it is contingent on bold decisions from governments and corporates at a time when we are also seeing rising inflation and higher costs of capital. Nonetheless, many parts of the world including Europe, Asia and North America are pursuing wide-ranging decarbonisation plans.

Ceres' licensing business model provides unique and powerful advantages: enabling the adoption of green energy technology at speed and building on the existing capability of global partners to establish localised supply chains, skills, manufacturing and systems and products suited to their end markets and applications.

Strategic update

Our aim is to enable multi-gigawatts of capacity producing hydrogen and fuel cell technologies to decarbonise the hard-to-abate sectors of the energy system and in the process build a sustainable business that delivers long-term benefits for our people and shareholders, our communities, and our planet.

The strategy is based on three pillars: to enable our licence partners to succeed; to build commercial scale; and to maintain our technology leadership. Our partners are investing significant time and resources into manufacturing Ceres' solid oxide technology, and we have expanded our engineering and specialist teams to ensure these early adopters are supported and successful in deploying new technology into new market opportunities.

We create commercial scale by generating more demand through increasing commercial partnerships and licences, growing applications and addressing new markets. This year we have increased the commercial team's presence in several global locations including in the US, Europe and Asia.

As a licensing company it is imperative that we stay at the leading edge of our technology – and that is why we continue to innovate, from the next generation of our solid oxide technology, continued innovation of our IP for both fuel cell and electrolyser systems, to digitalisation programmes and what further technologies we may need to hit a net zero future.

For the first six months of 2023 the group reported revenues of £11.3 million (H1 2022: £9.7 million). The 17% increase when compared with the prior period is primarily driven by both hardware and engineering services revenue relating to ongoing progress being made with Bosch and Doosan as we industrialise our technology in readiness for partner product launch. The improvement of gross margin to 61% (H1 2022: 49%) is partly due to reduced scrap and warranty provisions compared to prior year, and also higher cost absorption from increased hardware revenue. We expect a long-term trend of high gross margins reflecting Ceres' unique technology and licensing business model.

We have continued our investment in future growth, focused on scaling our technology for use in multiple applications and geographies. We have continued the planned development of our fuel cell business (SOFC) with global partners, with the development of a second-generation cell and stack design resulting in a stack focused on cost and manufacturability to enable scale production. We have also made progress with the expansion of our electrolysis activities (SOEC), and signed new partnerships with Linde Engineering and Bosch in addition to the earlier Shell agreement. Furthermore, we have strengthened the business development team to address the substantial market opportunities globally that exist for our clean energy technology.

In July, Ceres was very proud to be named as the winner of the Royal Academy of Engineering MacRobert Award, the UK's longest-running and most coveted prize for engineering innovation. The Company's pioneering and highly differentiated solid oxide stack technology, including fuel cells for power generation and electrolyzers for green hydrogen, was hailed by the MacRobert Award judges as a huge breakthrough in the clean energy revolution, enabling low-cost materials, fuel-flexibility, higher efficiency and improved performance.

Ceres Power – fuel cells

The fuel cells business recorded revenues of £10.6 million (H1 2022: £9.7 million) and a gross profit of £6.3 million (H1 2022: £4.7 million), with the year-on-year revenue increase reflecting the progress made with our commercial partners as they work toward scaling manufacture in Germany and South Korea.

In July, the stationary power SOFC system being developed by our partner Bosch received European funding of ~€160 million following its designation as an IPCEI aimed at developing an integrated hydrogen economy in Europe. The EU funding is to enable the mass production of Bosch 'Power Units', utilising Ceres' stack technology, with the aim of strengthening innovative capacity, global competitiveness and creating new jobs in Germany.

Construction of Doosan's 50MW factory in South Korea is complete. All machinery and processes have undergone factory acceptance testing, installation on site is underway, and factory commissioning is on track for H2 2024. Doosan is also pursuing the market for maritime power using SOFC technology, the operation of which meets the International Maritime Organization's regulations to achieve the 2050 GHG reduction goals. It has an ongoing programme with Shell and Korea Shipbuilding & Offshore Engineering for auxiliary propulsion and is seeking to launch its first marine fuel cell (using Ceres' stack technology) in 2025.

Ceres Hydrogen – electrolysis

Earlier this year, we announced significant initial results from the testing of our first 120kW electrolyser modules, providing confidence that the technology can deliver green hydrogen at <40kWh/kg, around 25% more efficiently than incumbent lower temperature technologies. The team is now working on the next SOEC product concept for a 2-3MW modularised system, which would facilitate larger scale installations. You can hear the team talking about our SOEC technology, programmes and partners from the Technology Teach-in held in June via the investor section of the Ceres website <https://www.ceres.tech/investors/presentations/>.

Meanwhile, the first-of-a-kind megawatt-scale electrolyser is undergoing commissioning and testing at AVL in Germany, in preparation for deployment later in the year to Shell's R&D centre in Bangalore, India, where the hydrogen will be used in industrial processes on site. The testing programme is intended to run for at least three years, forming the first stage of a collaborative relationship. Shell and Ceres are building this partnership to utilise SOEC technology to deliver high-efficiency, low-cost green hydrogen, which has a significant role to play in harder-to-decarbonise industrial sectors. It also allows for future generations of technology to be tested.

In March 2023, we signed contracts with Linde Engineering and Bosch to start a collaboration to validate the performance, cost, and operational functionality of our SOEC technology. The companies are preparing a two-year demonstration of another megawatt class SOEC system, starting in 2024 and to be located at a Bosch site in Stuttgart, Germany. Its aim is to showcase that the technology provides a highly efficient pathway to low-cost green hydrogen.

Our electrolysis business has recognised revenues of £0.7m (H1 2022: £nil), which relates to early-stage evaluation contracts with prospective partners.

Focused investment for the future

The first six months of 2023 saw continued investment into people and capabilities to deliver our technology roadmap and drive future growth. Our highly skilled employee base grew as planned, with 586 people employed as at 30 June 2023 compared to 570 as at 31 December 2022. Recruitment will level off as we reach critical mass and fully resource the core business activities for SOFC and SOEC. Additional growth will be to support new customer programmes. Research and development expenditure increased by 27% to £26.7 million as planned progress is made with both the expansion of our SOFC business and development of our SOEC business.

Capitalised development costs in the period, which only relate to ongoing SOFC development, increased to £3.4 million compared to £2.9 million for H1 2022. We have capitalised £16.2 million to 30 June 2023 (31 December 2022: £13.3 million). Amortisation of this to the income statement was in line with the prior period being a charge of £0.5 million (H1 2022: £0.5 million).

As planned, we have continued the expansion of our test capability to support demand from our partners, and to cater for additional market opportunities including SOEC, and SOFC applications such as marine and alternative fuels. We have also continued expanding and upgrading our Redhill manufacturing capacity for prototype production of the next

generation of our SOFC cell and stack technology. As a result, our committed investment in property, plant and equipment was £4.7 million in H1 2023 (H1 2022: £5.5 million) and depreciation charged increased to £3.4 million compared to £2.6 million in H1 2022.

Overall, this focused “investment in the future” (R&D costs, capitalised development and capital expenditure) increased by 19% to £30.6 million (H1 2022: £25.7 million). The £30.6 million comprises £22.5 million (H1 2022: £17.3 million) in R&D (excluding depreciation, amortisation and share-based payments), £4.7 million (H1 2022: £5.5 million) in capital expenditure and £3.4 million (H1 2022: £2.9 million) in capitalised development.

As a result of these investments, increased amortisation and depreciation, and other operating income of £1.6 million (H1 2022: £0.5 million) primarily relating to RDEC tax credits, the Group reported an increased operating loss of £28.5 million in H1 2023, up from a loss of £25.5 million in H1 2022.

Strong financial position: the foundation for continued development and growth

The Group ended the period with a strong cash position of £161.2 million in cash and investments as at 30 June 2023 (31 December 2022: £182.3 million), with the decrease since 31 December 2022 reflecting the investment in the period and is in line with our plans to invest for future growth and further expansion into electrolysis.

Interest income (on an accrual basis) on cash, cash equivalents and investments increased to £2.8 million (H1 2022: £0.7 million) due to improved interest rates on money market funds and short-term investments.

Equity free cash outflow (defined and reconciled to net cash from operating activities at the end of this report) reduced by 24% at £21.8 million (H1 2022: £28.6 million), being driven by net cash used in operating activities of £15.5 million (H1 2022: £20.6 million) reflecting the Group’s operating loss in the period, capital expenditure (net of disposal proceeds) of £4.6 million (H2 2022: £5.5 million), capitalised development of £3.4 million (H1 2022: £2.9 million), net interest receipts of £1.8 million (H1 2022: £0.2 million) and exchange rate movements. Movements in working capital included a £2.0 million decrease in inventories (H1 2022: £4.0 million increase), reflecting stacks shipped in the period and used in internal R&D projects, and a £3.6 million decrease in trade and other receivables (H1 2022: increase of £2.8 million) following the successful receipt of outstanding trade receivable balances in the first half of 2023.

Order Backlog as at 30 June 2023 was £61.1 million (31 December 2022: £67.8 million).

Main Market and Board

In June this year, we graduated to the Main Market of the London Stock Exchange and, as of 18 September, joined the FTSE 250 index. This follows almost 20 years on the Alternative Investment Market (“AIM”). Being on the Main Market with a Premium Listing enables Ceres to access new pools of investment and build greater international appeal.

We already operate to high levels of governance and this year we welcomed Karen Bomba and Caroline Brown as Non-Executive Directors. They each possess extensive business and sector knowledge as well as experience in growing teams to support international expansion. Their skills and perspectives are highly relevant to Ceres as we mature the business and continue to scale our partnership model globally.

Professor Dame Julia King, Baroness Brown of Cambridge, also assumed the position of Senior Independent Director succeeding Steve Callaghan who stepped down from the Board after 11 years’ service. Julia has served on the Ceres Board since June 2021. She brings huge experience across industry, academia and government and a focus on climate change and the low carbon economy, which has been hugely valuable in the progression of the Company’s sustainability strategy as Chair of the ESG Committee.

The company would like to thank Steve for his outstanding contribution over many years seeing the company through a difficult turnaround in 2012 to positioning it to the FTSE 250 and to whom we owe a great deal.

Outlook

The business is continuing to make strong progress in award-winning green hydrogen technology following the significant investment we have made in this area over the past two years and our first demonstration at a megawatt-scale will be a major proof point for the business. We expect SOEC will grow to become the largest part of the business in the second half of this decade and we are building our technical and commercial offering to address this market.

As flagged in our recent trading update, the timing of the establishment of the China JVs with Bosch and Weichai, and the associated revenue, remains uncertain. We continue to make good progress in other areas of the SOFC business particularly in our partnerships with Bosch and Doosan.

The revenue for the full year will be impacted by the China JVs as already flagged in our recent trading update, and full-year numbers will depend on the timing of securing new licence partners.

Despite what has been a challenging market backdrop over the past 12 months, we are approaching an important time for the business as we scale manufacturing and new developments in our first megawatt-scale deployment of SOEC, and our core cell, stack and systems come to fruition. I have confidence that the investments we have made in the business, and the level of interest we are now seeing from new and existing partners, position us well to exploit the significant future global market for clean power and green hydrogen.

Responsibility Statement

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting'; and
- the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events and their impact, and a description of principal risks and uncertainties for the remaining six months of the financial year) and DTR 4.2.8 (disclosure of related parties' transactions and changes therein).

The full list of current Directors can be found on the Ceres website at <https://www.ceres.tech>

Philip Caldwell

Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2023

		6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited Restated ¹ £'000	Year ended 31 December 2022 Audited £'000
	Note			
Revenue	2	11,310	9,687	22,130
Cost of sales		(4,442)	(4,952)	(9,079)
Gross profit		6,868	4,735	13,051
Other operating income ²		1,583	464	1,332
Operating costs	4	(36,933)	(30,715)	(65,905)
Operating loss		(28,482)	(25,516)	(51,522)
Finance income	5	2,834	1,153	2,830
Finance expense	5	(724)	(143)	(304)
Loss before taxation		(26,372)	(24,506)	(48,996)
Taxation (charge)/credit	6	(68)	1,908	3,872
Loss for the financial period and total comprehensive loss		(26,440)	(22,598)	(45,124)
Loss per £0.10 ordinary share expressed in pence per share:				
Basic and diluted loss per share	7	(13.74)p	(11.83)p	(23.58)p

The accompanying notes are an integral part of these consolidated financial statements.

¹ The results for the 6 months ended 30 June 2022 have been re-presented to reflect the re-classification of the Group's RDEC tax credit of £610,000 to align to the change in presentation applied for the Group's 2022 full year results. This was previously disclosed within cost of sales but is now presented within other operating income. The Group's RDEC tax credit for the 6 months results to 30 June 2022 has also been restated to decrease the credit by £313,000 following the adjustment of prior year R&D tax credit claims. See Note 1 for details.

² Other operating income relates to grant income and the Group's RDEC tax credit.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

		30 June 2023	30 June 2022	
		Unaudited	Unaudited	31 Dec 2022
		Restated ¹	Restated ¹	Audited
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment	8	25,599	21,092	25,964
Right-of-use assets	9	2,411	2,167	2,647
Intangible assets	10	16,218	10,882	13,278
Investment in associate		2,398	460	2,460
Other receivables	12	741	741	741
Total non-current assets		47,367	35,342	45,090
Current assets				
Inventories	11	3,719	7,149	5,714
Contract assets	2	5,316	5,314	3,309
Other current assets	13	1,180	1,024	957
Derivative financial instruments	17	508	703	54
Current tax receivable		7,553	3,386	7,396
Trade and other receivables ¹	12	13,022	8,915	17,153
Short-term investments	14	117,088	114,177	119,011
Cash and cash equivalents	14	44,142	107,448	63,309
Total current assets		192,528	248,116	216,903
Liabilities				
Current liabilities				
Trade and other payables	15	(4,718)	(4,857)	(4,933)
Contract liabilities	2	(9,043)	(5,004)	(6,387)
Other current liabilities	16	(8,479)	(7,660)	(7,286)
Derivative financial instruments	17	—	(5)	—
Lease liabilities	18	(664)	(655)	(610)
Provisions	19	(449)	(1,495)	(929)
Total current liabilities		(23,353)	(19,676)	(20,145)
Net current assets		169,175	228,440	196,758
Non-current liabilities				
Lease liabilities	18	(2,243)	(1,971)	(2,514)
Provisions	19	(1,926)	(1,910)	(1,933)
Total non-current liabilities		(4,169)	(3,881)	(4,447)
Net assets		212,373	259,901	237,401
Equity attributable to the owners of the parent				
Share capital	20	19,272	19,157	19,209
Share premium		406,076	405,272	405,463
Capital redemption reserve		3,449	3,449	3,449
Merger reserve		7,463	7,463	7,463
Accumulated losses ¹		(223,887)	(175,440)	(198,183)
Total equity		212,373	259,901	237,401

¹Trade and other receivables and accumulated losses as at 30 June 2022 have been restated to reflect an adjustment to prior year R&D tax claims. See Note 1 for details

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2023

	Note	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited Restated¹ £'000	12 months ended 31 December 2022 Audited £'000
Cash flows from operating activities				
Loss before taxation		(26,372)	(24,506)	(48,996)
Adjustments for:				
Finance income		(2,834)	(1,153)	(2,830)
Finance expense		724	143	304
Depreciation of property, plant and equipment		3,371	2,578	5,486
Depreciation of right-of-use assets		303	271	620
Amortisation of intangible assets		475	542	1,032
Net foreign exchange losses/(gains)		282	153	(690)
Net change in fair value of financial instruments		(454)	375	1,020
Profit on disposal of property, plant and equipment		(21)	—	—
Share-based payments charge		736	1,214	997
Operating cash flows before movements in working capital		(23,790)	(20,383)	(43,057)
Decrease/(increase) in trade and other receivables ¹		3,634	(2,804)	(12,693)
Decrease/(increase) in inventories		1,995	(4,004)	(2,569)
Increase in trade and other payables		2,581	3,900	2,655
(Increase)/decrease in contract assets		(2,007)	2,017	4,022
Increase in contract liabilities		2,656	714	1,137
Decrease in provisions		(526)	(39)	(637)
Net cash used in operations		(15,457)	(20,599)	(51,142)
Taxation received		—	—	(380)
Net cash used in operating activities		(15,457)	(20,599)	(51,522)
Investing activities				
Investment in associate		—	—	(1,000)
Purchase of property, plant and equipment		(4,725)	(5,529)	(12,347)
Proceeds received on disposal of property, plant and equipment		137	—	—
Capitalised development expenditure		(3,415)	(2,946)	(5,832)
Repayment of long-term investments		—	5,000	5,000
Acquisition of short-term investments		(37,470)	(70,998)	(99,618)
Repayment of short-term investments		39,444	49,950	74,950
Finance income received		2,227	730	1,443
Net cash used in investing activities		(3,802)	(23,793)	(37,404)
Financing activities				
Proceeds from issuance of ordinary shares		676	630	873
Repayment of lease liabilities		(284)	(413)	(744)
Interest paid		(128)	(103)	(212)
Net cash generated from/(used by) financing activities		264	114	(83)
Net decrease in cash and cash equivalents		(18,995)	(44,278)	(89,009)
Exchange (losses)/gains on cash and cash equivalents		(172)	271	863
Cash and cash equivalents at beginning of period		63,309	151,455	151,455
Cash and cash equivalents at end of period	14	44,142	107,448	63,309

¹ Loss before taxation and other receivables as at 30 June 2022 have been restated to reflect the adjustment of prior year R&D tax claims. See Note 1 for details.

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2023

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2022 (audited)	19,073	404,726	3,449	7,463	(154,056)	280,655
Comprehensive income						
Loss for the financial year	—	—	—	—	(45,124)	(45,124)
Total comprehensive loss	—	—	—	—	(45,124)	(45,124)
Transactions with owners						
Issue of shares, net of costs	136	737	—	—	—	873
Share-based payments charge	—	—	—	—	997	997
Total transactions with owners	136	737	—	—	997	1,870
At 31 December 2022 (audited)	19,209	405,463	3,449	7,463	(198,183)	237,401
Comprehensive income						
Loss for the financial period	—	—	—	—	(26,440)	(26,440)
Total comprehensive loss	—	—	—	—	(26,440)	(26,440)
Transactions with owners						
Issue of shares	63	613	—	—	—	676
Share-based payments charge	—	—	—	—	736	736
Total transactions with owners	63	613	—	—	736	1,412
At 30 June 2023 (unaudited)	19,272	406,076	3,449	7,463	(223,887)	212,373

Comparatives for the six months ended 30 June 2022 are provided separately below:

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2022 (audited) – restated¹	19,073	404,726	3,449	7,463	(154,056)	280,655
Comprehensive income						
Loss for the financial period ¹	—	—	—	—	(22,598)	(22,598)
Total comprehensive loss	—	—	—	—	(22,598)	(22,598)
Transactions with owners						
Issue of shares	84	546	—	—	—	630
Share-based payments charge	—	—	—	—	1,214	1,214
Total transactions with owners	84	546	—	—	1,214	1,844
At 30 June 2022 (unaudited)	19,157	405,272	3,449	7,463	(175,440)	259,901

¹2021 results have been restated to reflect an adjustment to prior year R&D tax claims and as a result the accumulated losses have increased by £968,000 from £153,088,000 to £154,056,000. See Note 1 for details.

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34 'Interim financial reporting' (IAS 34). They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2022 which were prepared in accordance with UK adopted international accounting standards. The interim financial statements have been prepared on a historical cost basis except derivative financial instruments, which are stated at their fair value.

The interim financial information has been prepared in accordance with the recognition and measurement requirements of UK adopted international accounting standards and applicable law and regulations. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as were applied in the Group's latest annual audited financial statements. The consolidated interim financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements.

The financial information contained in the interim financial statements is unaudited and does not constitute statutory financial statements as defined by in Section 434 of the Companies Act 2006. The financial statements for the year ended 31 December 2022, on which the auditors gave an unqualified audit opinion, and did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, have been filed with the Registrar of Companies.

The consolidated interim financial information for the six months ended 30 June 2023 has been reviewed by the Company's Auditor, BDO LLP in accordance with International Standard of Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

To reflect the presentation adopted by the Group in the preparation of the 2022 consolidated financial statements, the Research and Development Expenditure Credit ("RDEC") tax credit within the consolidated statement of profit and loss has been re-classified. The RDEC tax credit was previously presented within cost of sales and is now presented within other operating income. Prior year comparatives have been re-presented accordingly. The impact of this change was to increase cost of sales and other operating income for the six months ended 30 June 2022 by £0.6m.

Further, the June 2022 results have been restated to reflect an adjustment to R&D tax credit claims for certain costs which were inadvertently claimed in 2019 and 2020 under the Small and Medium-sized Enterprise (SME) R&D tax credit schemes, whereas they should have been claimed at a lower claim rate under the RDEC scheme. As a result, accumulated losses as at 1 January 2022 have been restated accordingly resulting in an increase from £153,088,000 to £154,056,000. At 30 June 2022 the taxation credit and other operating income has also been restated to increase the tax credit from £896,000 to £1,908,000 and reduce other operating income by £313,000. Further details are set out in Note 6. Other receivables as at 30 June 2022 have been restated from £3,503,000 to £4,264,000, and current tax receivable as at 30 June 2022 has been restated from £4,416,000 to £3,386,000 to reflect the adjustments of prior year R&D tax claims.

Going Concern

The Group has reported a loss after tax for the six months period ended 30 June 2023 of £26.4m (six months ended 30 June 2022: £22.6m) and net cash used in operating activities of £15.5m (six months ended 30 June 2022: £20.6m). At 30 June 2023, the Group held cash and cash equivalents and investments of £161.2m (31 December 2022: £182.3m). The directors have prepared annual budgets and cash flow projections that extend 15 months from the date of approval of this report. These projections include management's expectations of the cash flows associated with the Group's continued investment in R&D projects and further expansion of our manufacturing and testing capacity, together with contracted and anticipated customer contracts and the planned investment in the China collaboration with Bosch and Weichai which is not expected to occur until 2024. The projections were stress tested by applying different scenarios including the loss of significant future revenue and continued adverse macroeconomic factors as well as a scenario where the Chinese JV does not progress at all. In each case the projections demonstrated that the Group would have sufficient cash reserves to meet its liabilities as they fall due and to continue as a going concern. For the above reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements for the six months ended 30 June 2023 (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

In preparing the interim consolidated financial statements, the areas where judgement has been exercised remain consistent with those applied to the annual report and accounts for the year ended 31 December 2022.

New standards and amendments applicable for the reporting period

The Group has adopted all standards, interpretations amended or newly issued by the IASB that were effective in the period. Their adoption has not had any material effect on the consolidated financial statements.

2. Revenue

The Group's revenue is disaggregated by geographical market, major product/service lines, and timing of revenue recognition:

Geographical market

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Europe	6,801	4,051	8,460
Asia	4,318	5,404	13,253
North America	191	211	394
Rest of World	—	21	23
	11,310	9,687	22,130

For the six months ended 30 June 2023, the Group has identified two major customers (defined as customers that individually contributed more than 10% of the Group's total revenue) that accounted for approximately 56% and 38% of the Group's total revenue recognised in the period (6 months ended 30 June 2022 two major customers that accounted for approximately 44% and 39% of the Group's total revenue recognised in the period and 12 months ended 31 December 2022: two major customers that accounted for approximately 51% and 36% of the Group's total revenue recognised for that year).

Major product/service lines

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Engineering services	4,679	4,206	9,039
Provision of technology hardware	3,230	2,077	5,380
Licenses	3,401	3,404	7,711
	11,310	9,687	22,130

Timing of transfer of goods and services

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Products and services transferred at a point in time	4,155	1,887	4,760
Products and services transferred over time	7,155	7,800	17,370
	11,310	9,687	22,130

2. Revenue (continued)

The contract-related assets and liabilities are as follows:

		30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Trade receivables	12	7,309	4,651	11,825
Contract assets – accrued income		5,316	5,314	3,309
Contract liabilities – deferred income		(9,043)	(5,004)	(6,387)

3. Segmental analysis

In accordance with IFRS 8 the method applied to identify reporting segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which the Group considers to be the Executive team. The Group's internal segmental reporting has changed and now only separately presents results down to gross profit level from its Power (SOFC) and Hydrogen (SOEC) divisions where previously presented to adjusted EBITDA.

Six months ended 30 June 2023 (unaudited)	Power - SOFC £'000	Hydrogen - SOEC £'000	Consolidated £'000
Revenue (external)	10,569	741	11,310
Cost of sales	(4,271)	(171)	(4,442)
Gross profit	6,298	570	6,868
Six months ended 30 June 2022 (unaudited) Restated¹	Power - SOFC £'000	Hydrogen - SOEC £'000	Consolidated £'000
Revenue (external)	9,687	—	9,687
Cost of sales ¹	(4,952)	—	(4,952)
Gross profit	4,735	—	4,735
12 months ended 31 December 2022 (audited)	Power - SOFC £'000	Hydrogen - SOEC £'000	Consolidated £'000
Revenue (external)	21,950	180	22,130
Cost of sales	(9,070)	(9)	(9,079)
Gross profit	12,880	171	13,051

¹ The results for the 6 months to 30 June 2022 have been restated as a result of prior year R&D tax credit claims and further re-presented to reflect the re-classification of the Group's RDEC tax credit from within cost of sales now within other operating income.

4. Operating costs

Operating costs can be analysed as follows:

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Research and development costs	26,656	20,997	48,348
Administrative expenses	8,821	7,695	15,165
Commercial	1,456	2,023	2,392
	36,933	30,715	65,905

5. Finance income and expenses

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Interest income on cash, cash equivalents and investments	2,834	730	2,657
Foreign exchange gain on cash, cash equivalents and short-term deposits	—	423	173
Finance income	2,834	1,153	2,830
Interest on lease liability	(128)	(103)	(212)
Unwinding of discount on provisions	(39)	(37)	(87)
Other finance costs	—	(3)	(5)
Foreign exchange loss on cash, cash equivalents and short-term deposits	(557)	—	—
Interest expense	(724)	(143)	(304)

6. Taxation

No corporation tax liability has arisen during the period (6 months ended 30 June 2022 and 12 months ended 31 December 2022: £nil) due to the losses incurred. A tax charge has arisen as a result of foreign withholding taxes suffered and an overprovisions of R&D tax credit for 2022 under the SME R&D regime. The SME R&D tax credit regime is no longer accessible to the Group. The RDEC regime continues to be accessible and has been recognised within other operating income.

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited Restated ¹ £'000	12 months ended 31 December 2022 Audited £'000
UK corporation tax	—	(2,148)	(4,470)
Foreign tax suffered	2	240	828
Adjustment in respect of prior periods	66	—	(230)
	68	(1,908)	(3,872)

¹ The June 2022 taxation credit has been restated to increase the tax credit from £896,000 to £1,908,000 relating to a prior year correction to the R&D tax treatment of costs. This correction resulted from certain costs that were inadvertently claimed in 2019 and 2020 under the Small and Medium-sized Enterprise (SME) R&D tax credit schemes, whereas they should have been claimed at a lower claim rate under the RDEC scheme. The restatement has increased the June 2022 SME R&D tax credit by £126,000 from £2,022,000 to £2,148,000 and has reversed the movement in R&D tax credit provision in respect of prior periods from £886,000 to £nil since this has now been recognised in the restated opening balance sheet position at 1 January 2022.

Notes to the financial statements for the six months ended 30 June 2023 (continued)

7. Loss per share

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Loss for the financial period attributable to shareholders	(26,440)	(22,598)	(45,124)
Weighted average number of shares in issue	192,442,672	190,972,969	191,385,618
Loss per £0.10 ordinary share (basic and diluted)	(13.74)p	(11.83)p	(23.58)p

8. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 January 2022	7,412	25,502	2,563	348	1,975	12	37,812
Additions	1,111	5,147	203	—	6,848	—	13,309
Transfers	71	893	—	—	(964)	—	—
Disposal	(1,621)	(6,669)	(831)	(72)	—	—	(9,193)
At 31 December 2022 (audited)	6,973	24,873	1,935	276	7,859	12	41,928
Additions	489	1,614	134	90	795	—	3,122
Disposal	—	(225)	—	—	—	—	(225)
Transfers	419	833	—	—	(1,252)	—	—
At 30 June 2023 (unaudited)	7,881	27,095	2,069	366	7,402	12	44,825
Accumulated depreciation							
At 1 January 2022	3,358	14,285	1,790	232	—	6	19,671
Charge for the year	936	4,030	444	73	—	3	5,486
Depreciation on disposals	(1,621)	(6,669)	(831)	(72)	—	—	(9,193)
At 31 December 2022 (audited)	2,673	11,646	1,403	233	—	9	15,964
Charge for the period	663	2,487	209	11	—	1	3,371
Depreciation on disposals	—	(109)	—	—	—	—	(109)
At 30 June 2023 (unaudited)	3,336	14,024	1,612	244	—	10	19,226
Net book value							
At 30 June 2023 (unaudited)	4,545	13,071	457	122	7,402	2	25,599
At 31 December 2022 (audited)	4,300	13,227	532	43	7,859	3	25,964

'Assets under construction' represents the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use. The category is temporary, pending completion of the assets and their transfer to the appropriate and permanent category of property, plant and equipment. As such, no depreciation is charged on assets under construction.

Assets under construction consist entirely of plant and machinery that will be used in the manufacturing, development and testing of fuel cells.

Notes to the financial statements for the six months ended 30 June 2023 (continued)

8. Property, plant and equipment (continued)

Comparatives for the six months ended 30 June 2022 are provided separately below:

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
Unaudited							
Cost							
At 1 January 2022	7,412	25,502	2,563	348	1,975	12	37,812
Additions	238	2,437	169	—	2,685	—	5,529
Transfers	22	264	—	—	(286)	—	—
At 30 June 2022	7,672	28,203	2,732	348	4,374	12	43,341
Accumulated depreciation							
At 1 January 2022	3,358	14,285	1,790	232	—	6	19,671
Charge for the period	442	1,872	226	37	—	1	2,578
At 30 June 2022	3,800	16,157	2,016	269	—	7	22,249
Net book value							
At 30 June 2022	3,872	12,046	716	79	4,374	5	21,092

9. Right of use assets

	Land and Buildings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2022	3,694	43	3,737
Adjustment to lease term	829	—	829
At 31 December 2022 (audited)	4,523	43	4,566
Additions	67	—	67
At 30 June 2023 (unaudited)	4,590	43	4,633
Accumulated depreciation			
At 1 January 2022	1,289	10	1,299
Charge for the year	606	14	620
At 31 December 2022 (audited)	1,895	24	1,919
Charge for the period	296	7	303
At 30 June 2023 (unaudited)	2,191	31	2,222
Net book value			
At 30 June 2023 (unaudited)	2,399	12	2,411
At 31 December 2022 (audited)	2,628	19	2,647

The lease liabilities are detailed in Note 18.

Notes to the financial statements for the six months ended 30 June 2023 (continued)

9. Right of use assets (continued)

Comparatives for the six months ended 30 June 2022 are provided separately below:

Unaudited	Land and Buildings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2022	3,694	43	3,737
At 30 June 2022	3,694	43	3,737
Accumulated depreciation			
At 1 January 2022	1,289	10	1,299
Charge for the period	264	7	271
At 30 June 2022	1,553	17	1,570
Net book value			
At 30 June 2022	2,141	26	2,167

10. Intangible assets

	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Perpetual software licences £'000	Patent costs £'000	Total £'000
Cost					
At 1 January 2022	411	8,407	252	633	9,703
Additions	—	5,340	273	219	5,832
At 31 December 2022 (audited)	411	13,747	525	852	15,535
Additions	—	3,236	8	171	3,415
At 30 June 2023 (unaudited)	411	16,983	533	1,023	18,950
Accumulated amortisation					
At 1 January 2022	164	1,038	23	—	1,225
Charge for the year	82	748	125	77	1,032
At 31 December 2022 (audited)	246	1,786	148	77	2,257
Charge for the period	41	359	70	5	475
At 30 June 2023 (unaudited)	287	2,145	218	82	2,732
Net book value					
At 30 June 2023 (unaudited)	124	14,838	315	941	16,218
At 31 December 2022 (audited)	165	11,961	377	775	13,278

The customer and internal development intangible primarily relates to the design, development and configuration of the Company's core fuel cell and system technology. Amortisation of capitalised development commences once the development is complete and is available for use.

Notes to the financial statements for the six months ended 30 June 2023 (continued)

10. Intangible assets (continued)

Comparatives for the six months ended 30 June 2022 are provided separately below:

Unaudited	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Perpetual software licences £'000	Patent costs £'000	Total £'000
Cost					
At 1 January 2022	411	8,407	252	633	9,703
Additions	—	2,709	151	86	2,946
At 30 June 2022	411	11,116	403	719	12,649
Accumulated amortisation					
At 1 January 2022	164	1,038	23	—	1,225
Charge for the period	41	377	56	68	542
At 30 June 2022	205	1,415	79	68	1,767
Net book value					
At 30 June 2022	206	9,701	324	651	10,882

11. Inventories

	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Raw materials	975	1,381	1,566
Work in progress	1,423	1,186	1,477
Finished goods	1,321	4,582	2,671
Total inventory	3,719	7,149	5,714

Inventories have reduced which reflects the stacks shipped to customers and the use of stacks for internal R&D projects, particularly the SOEC demonstrator.

12. Trade and other receivables

	30 June 2023 Unaudited £'000	30 June 2022 Unaudited Restated ¹ £'000	31 December 2022 Audited £'000
Current:			
Trade receivables	7,309	4,651	11,825
Other receivables	5,713	4,264	5,328
	13,022	8,915	17,153
Non-current:			
Other receivables	741	741	741

¹ Other receivables as at 30 June 2022 have been restated to reflect the adjustment of prior year R&D tax claims. See Note 1 for details.

Of the £7.3m trade receivables due at 30 June 2023, c£6.3m was received in the first two months after the reporting period.

Included within other current receivables is the research and development tax credit of £4,822,000 (30 June 2022: £1,551,000; 31 December 2022: £2,084,000). All of which has been received in H2 2023.

13. Other current assets

	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Prepayments	1,180	880	869
Accrued grant income	—	144	88
	1,180	1,024	957

14. Net cash and cash equivalents, short-term and long-term investments

	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash at bank and in hand	4,969	6,601	7,837
Money market funds	39,173	100,847	55,472
Cash and cash equivalents	44,142	107,448	63,309
Short-term investments ¹	117,088	114,177	119,011
Cash and cash equivalents and investments	161,230	221,625	182,320

¹ Short-term investments comprise bank deposits with a maturity greater than 3 months but less than 12 months.

The Group typically places surplus funds into pooled money market funds with same day access and bank deposits with durations of up to 24 months. The Group's treasury policy restricts investments in short-term sterling money market funds to those which carry short-term credit ratings of at least two of AAAM (Standard & Poor's), Aaa-mf (Moody's) and AAAMmf (Fitch) and deposits with banks with minimum long-term rating of A-/A3/A and short-term rating of A-2/P-2/F-1 for banks which the UK Government holds less than 10% ordinary equity.

15. Trade and other payables

	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Current:			
Trade payables	4,349	4,537	4,795
Other payables	369	320	138
	4,718	4,857	4,933

16. Other current liabilities

	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Accruals	7,829	6,767	6,515
Deferred grant income	650	893	771
	8,479	7,660	7,286

Notes to the financial statements for the six months ended 30 June 2023 (continued)

17. Derivative financial instruments

		Carrying amount 30 June 2023 Unaudited £'000	Fair value 30 June 2023 Unaudited £'000	Carrying amount 31 December 2022 Audited £'000	Fair value 31 December 2022 Audited £'000
	Fair value hierarchy				
Financial assets measured at fair value through profit or loss					
Forward exchange contracts	Level 2	80	80	26	26
Non-deliverable forward contracts	Level 2	428	428	28	28
Total derivative assets		508	508	54	54
Financial liabilities measured at fair value through profit or loss					
Forward exchange contracts		—	—	—	—
Total derivative liabilities		—	—	—	—

Comparatives for the six months ended 30 June 2022 are provided separately below:

		Carrying amount 30 June 2022 Unaudited £'000	Fair value 30 June 2022 Unaudited £'000
	Fair value hierarchy		
Financial assets measured at fair value through profit or loss			
Forward exchange contracts	Level 2	241	241
Non-deliverable forward contracts	Level 2	462	462
Total derivative assets		703	703
Financial liabilities measured at fair value through profit or loss			
Forward exchange contracts		(5)	(5)
Total derivative liabilities		(5)	(5)

In 2020, the Group entered into a non-deliverable forward (NDF) to hedge its exposure to Korean Won (KRW) with respect to a major customer contract. As at 30 June 2023, the unrealised fair value gain was £428,000 (31 December 2022: £28,000). The Group also had a number of forward exchange contracts in place to hedge expected transactions in other currencies including EUR and CAD, with an unrealised total gain of £80,000 as at 30 June 2023 (31 December 2022: £25,000). All derivative financial instruments are measured using techniques consistent with level 2 of the fair value hierarchy.

18. Lease liabilities

	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
At the start of the period	3,124	3,039	3,039
New finance leases recognised	67	—	—
Lease payments	(412)	(516)	(956)
Interest expense	128	103	212
Adjustment to lease term	—	—	829
At the end of the period	2,907	2,626	3,124
Current	664	655	610
Non-current	2,243	1,971	2,514
Total at the end of the period	2,907	2,626	3,124

19. Provisions

	Property Dilapidations £'000	Warranties £'000	Contract Losses £'000	Total £'000
At 1 January 2022	1,828	1,253	326	3,407
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	—	—	(137)	(137)
Unused amounts reversed	—	(707)	(135)	(842)
Unwinding of discount	87	—	—	87
Increase in provision	18	329	—	347
At 31 December 2022 (audited)	1,933	875	54	2,862
Movements in the Consolidated Statement of Profit and Loss:				
Unused amounts reversed	—	(567)	—	(567)
Unwinding of discount	39	—	—	39
Change in provision	(46)	87	—	41
At 30 June 2023 (unaudited)	1,926	395	54	2,375
Current	—	395	54	449
Non-current	1,926	—	—	1,926
At 30 June 2023 (unaudited)	1,926	395	54	2,375
Current	—	875	54	929
Non-current	1,933	—	—	1,933
At 31 December 2022 (audited)	1,933	875	54	2,862

Following further progress on contracts and no new warranty issues identified in the period, £0.5m of the warranty provision was released to the Consolidated Statement of Profit or Loss. As at 30 June 2023 the Group has recorded a contingent liability of approximately £0.4m (30 June 2022: £nil, 31 December 2022: £0.3m) to reflect the lower possibility of the Group paying out on any potential failures for certain additional stacks that may still be running where the contracts have concluded.

Notes to the financial statements for the six months ended 30 June 2023 (continued)

19. Provisions (continued)

Comparatives for the six months ended 30 June 2022 are provided separately below:

Unaudited	Property Dilapidations £'000	Warranties £'000	Contract Losses £'000	Total £'000
At 1 January 2022	1,828	1,253	326	3,407
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	—	—	(138)	(138)
Unused amounts reversed	—	—	(124)	(124)
Unwinding of the discount	37	—	—	37
Increase in provision	45	178	—	223
At 30 June 2022 (unaudited)	1,910	1,431	64	3,405
Current	—	1,431	64	1,495
Non-current	1,910	—	—	1,910
At 30 June 2022 (unaudited)	1,910	1,431	64	3,405

20. Share capital

	30 June 2023 (unaudited)		31 December 2022 (audited)	
	Number of £0.10 Ordinary shares	£'000	Number of £0.10 Ordinary shares	£'000
Allotted and fully paid				
At 1 January	192,086,775	19,209	190,729,638	19,073
Allotted £0.10 Ordinary shares on exercise of employee share options	630,205	63	1,357,137	136
At 30 June 2023 / 31 December 2022	192,716,980	19,272	192,086,775	19,209

During the six months ended 30 June 2023, 630,205 ordinary £0.10 shares were allotted for cash consideration of £676,359 on the exercise of employee share options (six months ended 30 June 2022: 844,978 ordinary £0.10 shares were allotted for cash consideration of £627,427; year ended 31 December 2022: 1,357,137 ordinary £0.10 shares were allotted for cash consideration of £866,717).

Comparatives for the six months ended 30 June 2022 are provided separately below:

	30 June 2022 (unaudited)	
	Number of £0.10 Ordinary shares	£'000
Allotted and fully paid		
At 1 January 2022	190,729,638	19,073
Allotted £0.10 Ordinary shares on exercise of employee share options	844,978	84
Allotted £0.10 Ordinary shares on cash placing	—	—
At 30 June 2022	191,574,616	19,157

20. Share capital (continued)

Reserves

The Consolidated Statement of Financial Position includes a merger reserve and a capital redemption reserve. The merger reserve represents a reserve arising on consolidation using book value accounting for the acquisition of Ceres Power Limited at 1 July 2004. The reserve represents the difference between the book value and the nominal value of the shares issued by the Company to acquire Ceres Power Limited. The capital redemption reserve was created in the year ended 30 June 2014 when 86,215,662 deferred ordinary shares of £0.04 each were cancelled.

21. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £7,710,000 as at 30 June 2023 (as at 30 June 2022: £8,131,000 and as at 31 December 2022: £8,679,000), in respect of the acquisition of property, plant and equipment.

22. Related party transactions

As at 30 June 2023, as at 30 June 2022 and as at 31 December 2022, the Group's related parties were its Directors and RFC Power Limited.

During the six months ended 30 June 2023, one Director exercised and retained 200,000 share options under the Company's Long Term Incentive Plan and also exercised and retained 4,610 share options under the Company's employee share save scheme. There were no other transactions between the Company and the Directors during the period.

During the year ended 31 December 2022 and period ending 30 June 2022 one Director exercised and retained 7,109 share options under the Company's employee share save scheme and one Director exercised and sold 14,218 share options under the Company's employee share save scheme. There were no other transactions between the Company and the Directors during the year ended 31 December 2022.

Transactions in H1 2023 between the Group and RFC Power Limited, being an associated entity of the Group, comprised engineering consultancy services provided by the Group to RFC Power Limited for the value of £0.3m (6 months ended 30 June 2022: £0.3m and 12 months ended 31 December 2022: £0.4m).

Non-GAAP Alternative Performance Measures (unaudited)

Reconciliation between operating loss and Adjusted EBITDA

Management believes that presenting Adjusted EBITDA loss allows for a more direct comparison of the Group's performance against its peers and provides a better understanding of the underlying performance of the Group by excluding non-recurring, irregular and one-off costs. The Group currently defines Adjusted EBITDA loss as the operating loss for the period excluding depreciation and amortisation charges, share-based payment charges, unrealised losses on forward contracts and exchange gains/losses.

	6 months ended 30 June 2023 £'000	6 months ended 30 June 2022 Restated ¹ £'000	12 months ended 31 Dec 2022 £'000
Operating loss	(28,482)	(25,516)	(51,522)
Depreciation and amortisation	4,149	3,391	7,138
Share-based payment charges	736	1,214	997
Unrealised (gains)/losses on forward contracts	(454)	374	1,020
Exchange losses/(gains)	282	(271)	(863)
Adjusted EBITDA	(23,769)	(20,808)	(43,230)

¹The Group's operating loss has been restated due to the adjustment of prior year R&D tax claims which has decreased the RDEC tax credit by £313,000.

Reconciliation between net cash used in operating activities and equity free cash flow

The Group defines equity free cash flow as net cash from operating activities plus capital expenditure and adjusted for interest payments and receipts and exchange rate movements. The table below reconciles net cash from operating activities to equity free cash flow for each period.

	6 months ended 30 June 2023 £'000	6 months ended 30 June 2022 £'000	12 months ended 31 Dec 2022 £'000
Net cash from operating activities	(15,457)	(20,599)	(51,522)
Capital expenditure (total)	(8,003)	(8,475)	(18,179)
Interest and lease receipts (net)	1,815	214	487
Exchange rate movements	(172)	271	863
Equity free cash flow	(21,817)	(28,589)	(68,351)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Cash Flow Statement and the Condensed Consolidated Statement of Changes in Equity and the Notes to the financial statements for the six months ended 30 June 2023.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note one, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
Gatwick, UK
Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).