Clean energy starts with Ceres

2020 Annual Report

Welcome to our 2020 Annual Report, covering the 18-month period to 31 December 2020.

Ceres is a leader in the electrochemical technology sector, enabling the world's most progressive companies to deliver clean energy solutions at scale and at speed through a high-margin, asset-light licensing business model.

ORDER BOOK & PIPELINE[1]

£99m
(2019: £79m)

REVENUE[2]

£32m
(2019: £15m)

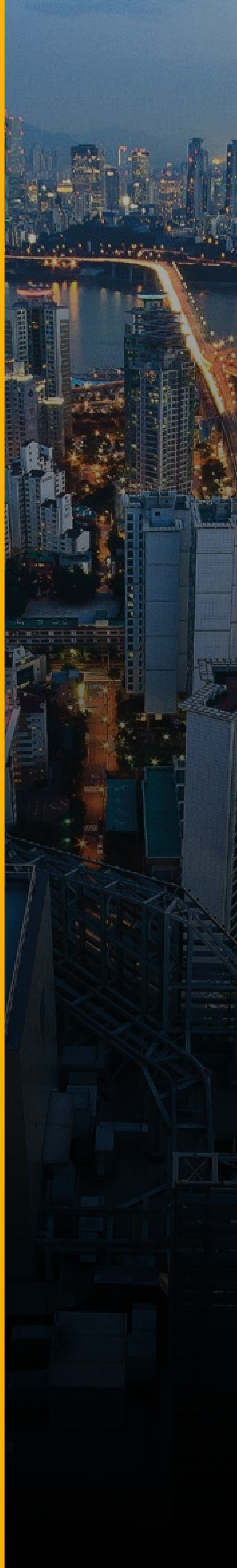
GROSS PROFIT[2]

£21m
(2019: £11m)

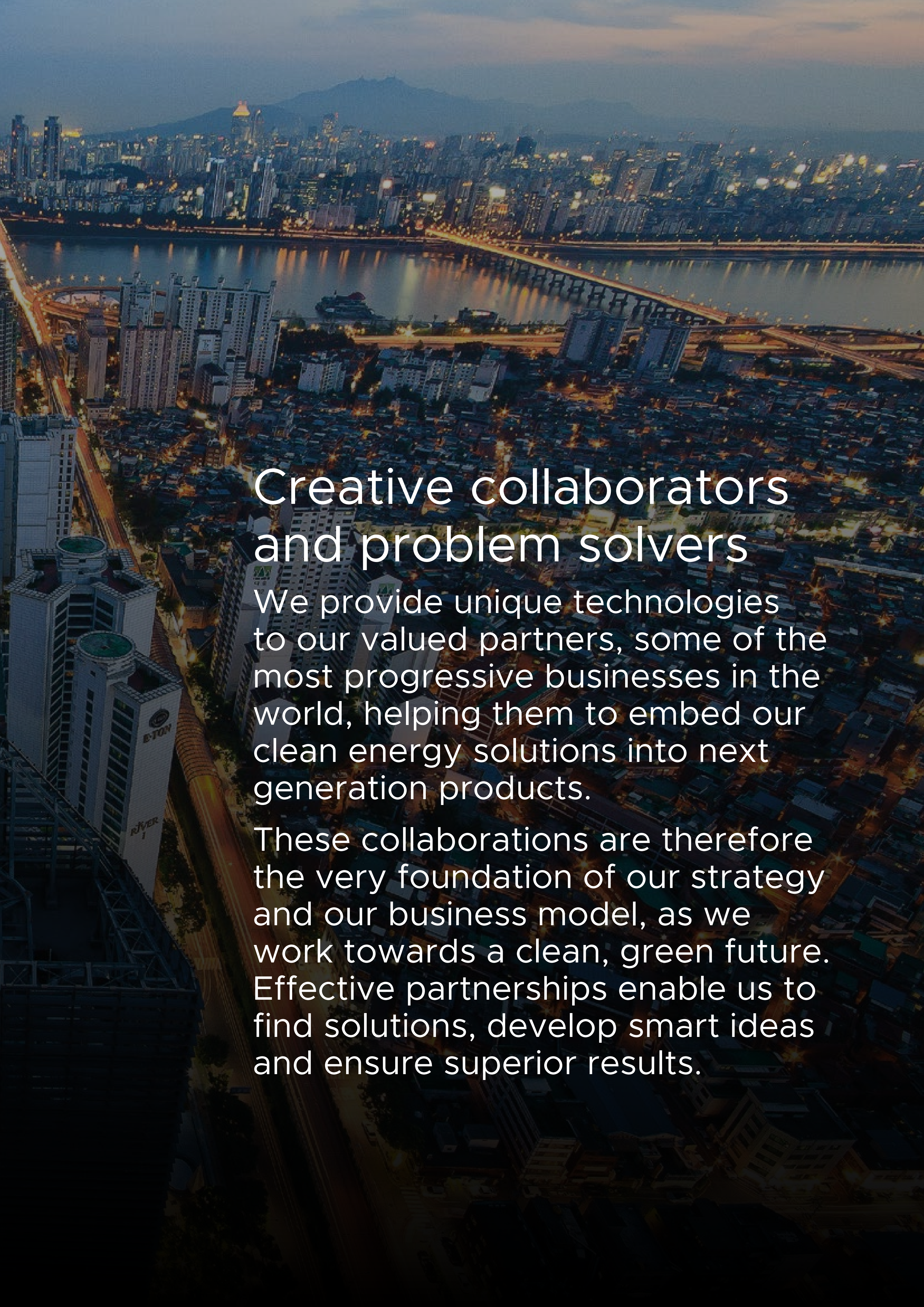
CASH, CASH EQUIVALENTS AND INVESTMENTS

£110m
(2019: £71m)

Inside this report...



1. Order book refers to confirmed contracted revenue and other income while pipeline is contracted revenue and other income which management estimates is contingent upon options not under the control of Ceres.
2. For the 18 months ended 31 December 2020, compared with the 12 months ended 30 June 2019.



Creative collaborators and problem solvers

We provide unique technologies to our valued partners, some of the most progressive businesses in the world, helping them to embed our clean energy solutions into next generation products.

These collaborations are therefore the very foundation of our strategy and our business model, as we work towards a clean, green future. Effective partnerships enable us to find solutions, develop smart ideas and ensure superior results.

Clean energy solutions through collaboration

> Over the last 18 months we have made excellent progress with key partners and have grown as a business, strengthening our position as one of the world's leaders in solid oxide technology.

Warren Finegold
Chairman

Overview

I am extremely proud of the way our people have responded with courage and commitment during this unprecedented time to deliver a pivotal period for Ceres so successfully. As well as making excellent progress with key partners and developing new commercial relationships, we have grown throughout the pandemic, welcoming a further 88 skilled engineers and scientists to the Company.

We are continuing to strengthen our position as one of the world's leaders in solid oxide fuel cell (SOFC) technology and the Company is currently looking to step up from AIM to the London Stock Exchange Main Market by mid 2022.

Market potential

Over the period, we have seen the market recognise the huge opportunity in the clean energy sector and the potential future value of our technology in helping to address the challenges of climate change. As governments around the world look beyond the current pandemic, a number of clean energy initiatives have been announced. By working with blue chip, international partners we can leverage our UK presence into these global markets.

Against this increasingly positive backdrop of government initiatives, corporates across different industrial verticals have started their own transitions away from fossil fuels. The fuel-flexible nature of SOFC means that it can enable these transitions to take place more easily as SOFC stacks can uniquely generate electricity from the natural gas, biofuels and hydrogen blends of today as well as the pure hydrogen fuel of tomorrow.

During the period our manufacturing partners Bosch and Doosan targeted scaling up to mass production of Ceres SteelCell® stacks in their facilities to an aggregate 250MW of capacity in 2024. Over the next few years we will continue to help them establish their mass manufacturing bases. With volume production of our proprietary fuel stacks now on the horizon the cost advantages of the technology will increasingly come into focus, creating an opportunity for us to position the Ceres technology as the industry standard for SOFCs.

(See Glossary on page 105 for definitions of terms used)

Significant new opportunities in electrolysis

As our core technology continues to be developed and refined, we see a number of attractive new opportunities for growth. In March 2021, the Company raised additional financing from the equity markets in order to invest in extending our SOFC technology leadership, strengthening our commercialisation plans with key partners and developing new SOFC technologies to take us into new markets and applications for our core power system business.

We also see attractive licensing opportunities in the hydrogen and e-fuels markets and intend to invest in the production of green hydrogen from electrolysis. Our core IP can help decarbonise industrial processes that are carbon intensive but difficult to abate. With additional financing, our Green Hydrogen programme will be able to build a solid oxide electrolysis cell (SOEC) and system to demonstrate megawatt-scale production of pure hydrogen to potential licensees within the next 18 months.

ESG

Our purpose as a company is to help sustain a clean, green planet by ensuring there is clean energy everywhere in the world. Ceres is passionate about tackling climate change through our technology. This ethos is carried through our commitment to ensure that our environmental, social and governance (ESG) responsibilities are embedded at all levels throughout the Company and are appropriately disclosed to our stakeholders.

As we execute our strategy, we monitor our ESG progress against the framework of the UN's Sustainable Development Goals (SDGs), led by the Company's ESG Committee. This is chaired by CEO Phil Caldwell and its membership comprises employees from across the business. You can find out more about our ESG policies and disclosures in the Sustainability section of this report on page 24. From the start of 2021 we will offset 100% of our carbon emissions with accredited schemes and we are developing a reduction plan based around Science Based Targets (SBTs) that will deliver a net zero-carbon position.

Changes to the Board of Directors

There have been a number of changes to the Board in the period. I was appointed Non-Executive Chairman in June 2020 as Alan Aubrey stepped down as Chairman. Non-Executive Director Dr Haoran Hu stepped down from the Board in June and Alan Aubrey and Robert Trezona stepped down in September 2020. The successes of this reporting period were founded on many years of effort and investment and they all made a major contribution to Ceres. We thank all three for their guidance and insight during their tenure on the Board. We also welcomed Uwe Glock from Bosch and Qinggui Hao from Weichai as Non-Executive Directors.

People

Our people are key assets of the Company and we remain committed to attracting, incentivising and retaining the best talent at all levels. The Board is deepening its engagement with the business, increasing the number of Board meetings and focusing on a closer working relationship with the Executive management team and the broader business.

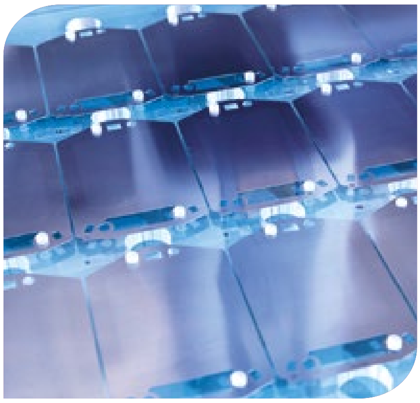
In conclusion

I started this statement to shareholders by acknowledging the way our people across all aspects of our business have responded to the pandemic. I would like to conclude by extending special thanks to them for their continued professionalism and dedication on behalf of the Board, our shareholders and commercial partners.

I am delighted to have joined the Company at such an exciting time and as I look to the year ahead, I am confident that our technologies will continue to play an important role on the journey towards a decarbonised world.

Warren Finegold
Chairman

Ceres by numbers

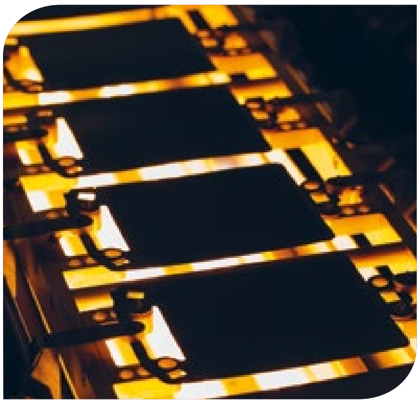


20
years' experience in SOFC development

325
full-time employees, as at 31 December 2020

33
different nationalities employed by Ceres

95
patent families protecting our solid oxide IP



60%
system electrical efficiency using SteelCell®

Zero
CO_2, SOx, NOx and particulate emissions when Ceres fuel cell stack operated on pure hydrogen

2MW
Ceres prototype plant production capacity, with 3MW planned by the end of the current year

2
global manufacturing partners

2024
target date for first partners' mass manufacturing launches

Our geographic spread

Europe

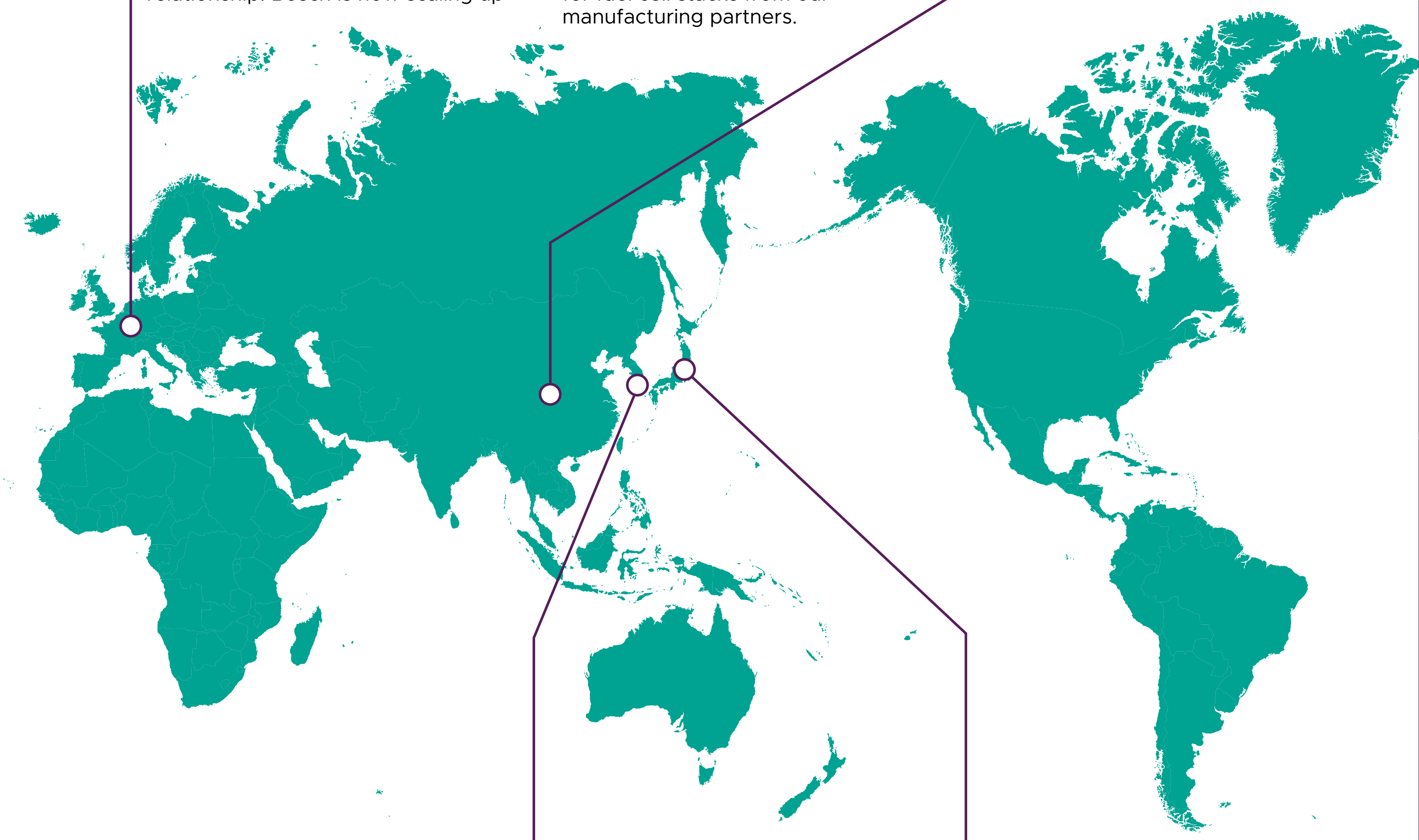
EU announced funding of €550 billion to green projects to 2027, aiming to have zero emissions by 2050. Germany has announced plans to become carbon neutral by 2050 and has unveiled a €9 billion stimulus package for hydrogen technologies, highlighting fuel cells as a path to decarbonisation.

Our technology transfer and prototype manufacturing collaboration with Bosch has progressed into a deeper relationship. Bosch is now scaling up sites in Germany to mass manufacture Ceres fuel cell stacks, aiming to achieve capacity of 200MW in 2024.

Ceres has formed a strategic collaboration with Austrian engineering consultancy AVL List to develop and build new customer relationships, thereby accelerating our original equipment manufacturer (OEM) systems business. These OEM customers will in turn create demand for fuel cell stacks from our manufacturing partners.

China

We continue to work with Weichai, one of China's biggest engine manufacturers, to trial fuel cells that can extend the range of electric buses. We see attractive opportunities in other classes of vehicles, such as trucks. These hybrid systems are powered by natural gas but can also run on hydrogen blends.



South Korea

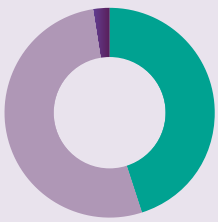
Ceres has deepened its relationship with Doosan, progressing from an initial systems licence agreement to a manufacturing licence as it targets 50MW of Ceres fuel stack production capacity by 2024. The company is aiming to launch products and systems across a range of applications.

Japan

Japanese commercial power company Miura, our first OEM licensee to reach commercial product launch, has been providing low volumes of a 4.2kW combined heat and power (CHP) unit in Japan.

Ceres also continues to work with Honda in stationary power applications.

Revenue mix for the 18 months to December 2020:



Europe
North America
Asia

Our culture

Our purpose

Clean energy for a clean world.

Our ultimate purpose is to help sustain a clean, green planet by ensuring there is clean energy everywhere in the world.

Our purpose shapes our values, personality and ESG commitments.

Our values

We commit wholeheartedly

We care deeply about our purpose, our people, our partners and our planet. We're robust, we recover from setbacks and stand firm in our beliefs.

We are creative collaborators

We believe in partnership. We work with each other and with our clients and suppliers to solve problems faster, develop smart ideas and ensure superior results. We adapt, respond quickly and are prepared to move fast.

We pioneer with precision

We are innovative but with purpose. We define problems as accurately as possible to create practical solutions. We like the constraints of big challenges so we can develop ground-breaking ideas that work. We take measured risks in areas where risk is well rewarded.

Our personality

We are serious about the future

We tackle the big problems facing billions of people globally – we talk about '6bn people problems', those are the ones that we really want to address.

We have a different dynamic

Our business is serious but the way we work doesn't have to be. We are diverse, positive in attitude and full of energy, fun and new ideas.

We make the complex simple

Einstein was right; if you can't explain something simply then you don't understand it. We want everyone to understand what we do and why we do it.

Our ESG commitments underpin our purpose

At the heart of Ceres is a clear and deeply embedded purpose – it's in our DNA. This purpose not only defines our technology and business model but also governs our behaviour as a good corporate citizen. Last year we launched our ESG policy to give our stakeholders better visibility into how we conduct ourselves, guided by the 17 United Nations Sustainable Development Goals (SDGs).

This year we report on our progress towards these goals and how they frame our thinking on how we can play our part in creating a better and fairer world by 2030. Currently, we believe that we are making a meaningful contribution to 11 of the SDGs focused on environmental impact and social and governance goals.

More details on Ceres' approach to ESG can be found in the Sustainability section on pages 24-27.

Environmental

We aim to ensure that the environmental impacts of our operations are positive and any negative impact is mitigated. Ceres will be carbon neutral from 2021 and we are currently developing our full net zero strategy.

We have introduced environmental initiatives, including the provision of facilities that encourage energy efficiency, waste prevention and sustainable water consumption.

For more details see page 24.

Social

We aim to conduct our business in a socially responsible manner, to contribute to the communities in which we operate and to respect the needs of our employees and stakeholders.

We encourage diversity and equal opportunity for all people in relation to recruitment, selection and career development.

We respect human rights and do not tolerate modern slavery in our business or supply chain.

For more details see page 25.

Governance

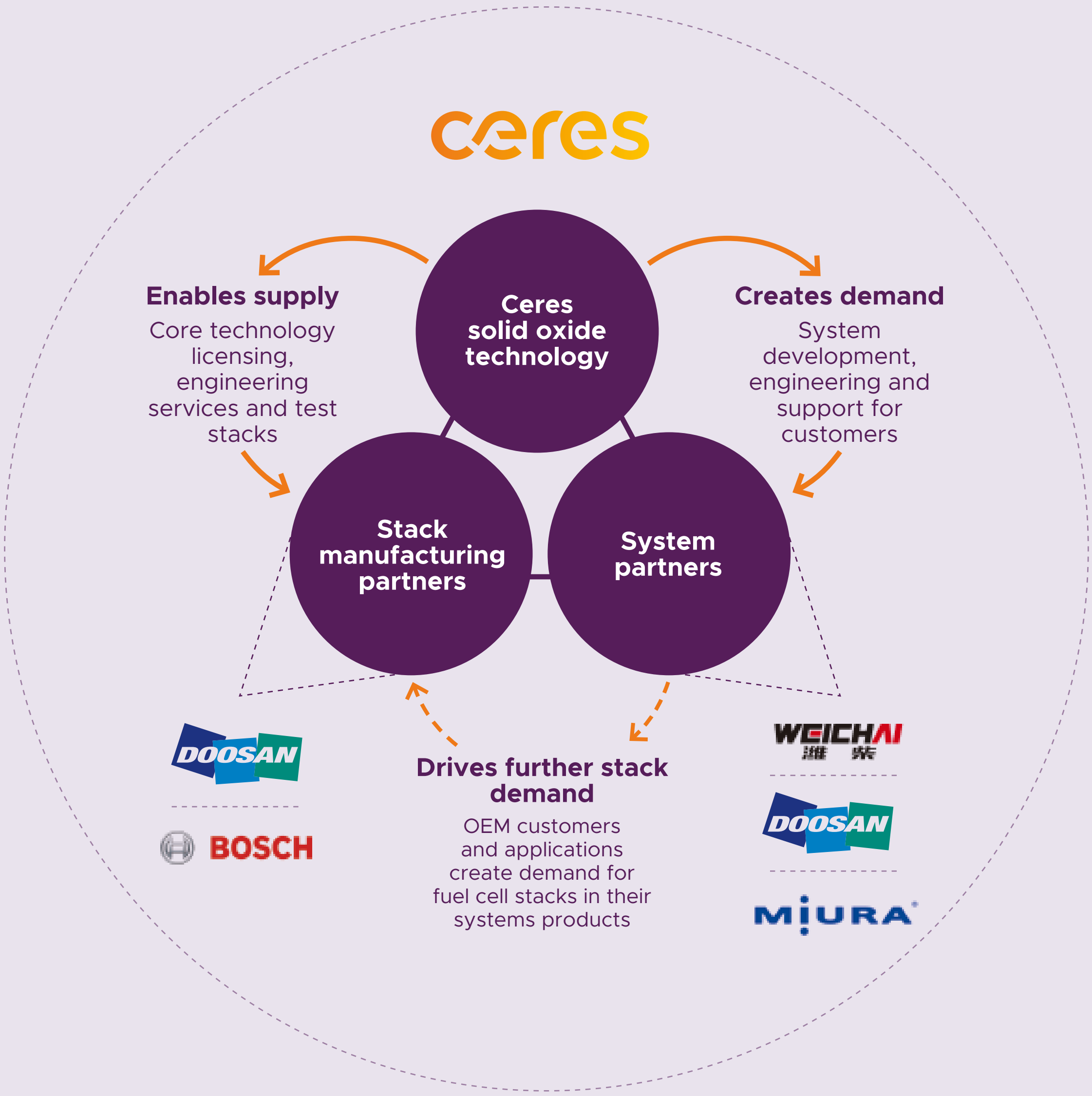
We conduct all of our business activities in an honest, ethical and socially responsible manner.

We are committed to acting professionally, fairly and with integrity in all of our business dealings with consideration for the needs of all stakeholders.

We aim to conduct our business in accordance with best practice and to be a responsible employer.

For more details see page 25.

Our business model



How our business model works

Building a sustainable ecosystem around SteelCell® technology

Our aim is to establish our fuel cell IP as the industry standard for solid oxide fuel cell fuel stacks, nurturing a self-sustainable ecosystem of supply and demand around the technology.

On the supply side we have made encouraging progress with manufacturing partners Bosch and Doosan, who have both started scaling up their respective manufacturing capabilities towards mass market launches in 2024. Initially their factories will satisfy the demand from their own systems initiatives, but over time we expect that they will both supply a vibrant market of original equipment manufacturer (OEM) system partners.

We will receive royalties based on kW capacity production, so as volumes ramp up our royalty revenues will scale in step.

The OEMs will drive the demand side of our ecosystem as we continue our work with partners such as Weichai, Miura and Honda to engineer systems around our fuel stacks for their end markets. Our new relationship with engineering consultancy AVL List should help accelerate this OEM uptake, allowing us to leverage its presence across multiple markets to access new OEM customers. Its substantial engineering resources will also help us bring these OEMs to market more quickly, in turn creating fuel stack demand for our manufacturing partners. We will receive royalties based on kW power capacity of these systems.

Stakeholder engagement

Creating value for stakeholders

Operating sustainably is not simply about preserving and improving the environment in which we live, but also about ensuring that we make a positive societal contribution and maintain strong governance standards – for the benefit for all of our stakeholders. We also strive to create a positive work environment for our people, helping to ensure wellbeing across the Company. We work closely with trusted partners to support them in their ambitions to help build a better world. When these all come together the value created benefits us all.

Wider society

We aim to play a central role in the global transition to clean, affordable power to help tackle climate change and air pollution. This will bring health and sustainability benefits to societies around the world as they progress to zero emissions targets. Ceres technology stacks can create power at high levels of efficiency, but emit low or even zero carbon as well as zero particulate, sulphur oxide (SOx) and nitrous oxide (NOx) emissions.

Employees

Ceres Power is an inspiring place to work and our people are as dynamic, flexible and innovative as our technology. We collaborate with some of the world's most progressive and demanding companies. We embrace equal opportunities for everyone and have launched exciting new employee development programmes, such as the Ceres Academy and supporting learning portal.

Shareholders

Shareholders of Ceres can gain investment returns from a high-growth, technology-driven company. Ceres has a globally critical purpose and a culture that is closely aligned to the UN's Sustainable Development Goals. Our licensing model delivers high-margin revenues in the power generation space and we have begun to develop solid oxide electrolysis cell (SOEC) technologies for the significant green hydrogen markets of the future.

Suppliers and partners

We aim to play a central role in helping our partners transition to clean, affordable power to help tackle the effects of climate change and air pollution. By collaborating closely with them we are developing fuel-flexible SOFC stacks that enable them to start this transition today as well as future-proof them for the fuels of tomorrow.

Further details on how the Board engages with stakeholders can be found on page 38.

The global opportunity

Air quality

- Air pollution poses a major threat to health, with the World Health Organization (WHO) estimating that around seven million people die every year as a result of poor air quality
- Around 91% of the world's population live where air pollution levels exceed WHO limits
- Major pollution sources include residential energy for cooking and heating, vehicles, power generation, agriculture/waste incineration and industry

Climate change

- Climate change is now one of the biggest challenges facing the planet as the accumulation of greenhouse gases is causing the Earth to warm, impacting weather systems and sea levels
- The United Nations estimates that around two thirds of greenhouse gases are made up of CO_2, produced as a direct result of burning fossil fuels
- Governments around the world have now set mid-century decarbonisation targets and incentives

Combustion engines

- As well as producing CO_2, combustion produces harmful SOx, NOx and particulate emissions
- Growing numbers of governments are banning the sale of new combustion-only vehicles in favour of all-electric or hybrids within the next ten years

Ceres fuel cell IP addresses multiple markets

Market	Market background	Total addressable market
	As centralised electricity grids struggle to cope with the growing demand for power, Ceres sees opportunities for licensing technology to the decentralised power market, providing off-grid energy across a range of different stationary applications.	100 GW
	Some areas of transportation are hard to decarbonise through batteries alone. These include heavy duty passenger and freight vehicles.	300 GW
	The decarbonisation of shipping is being driven by regulations and targets from the International Maritime Organization (IMO). The industry has accepted this need for change and has started to investigate technologies and fuels to help meet these targets.	Currently an estimated 70,000 vessels in the shipping sector consume 300MT of fossil fuels a year. The industry needs to spend US$6 trillion to decarbonise (source: Maersk-McKinney Moller Centre)
	Data centres require high power densities for always-on power and cooling requirements. They also require instantly available back-up power supply in case of grid failures.	>50 GW

Strategic Report

Governance

Financial Statements

Electrification

- Inexpensive renewable energy is disrupting centralised power generation, but is not available everywhere
- Battery electric vehicles and heat pumps will significantly increase demand from the grid
- Grid reinforcement will be necessary to meet rising demand for electricity
- Fuel cells can provide flexible, efficient distributed power

Balancing renewables

- The electrification of energy and transportation is accelerating
- The challenges are balancing intermittency and long-term energy storage
- Electrochemical solutions such as batteries and fuel cells are well positioned to address these capacity needs

Distributed power

- Producing power through SOFCs at the point of use is efficient and offers flexibility to balance grid supply intermittency
- SOFCs produce power with low or zero CO_2 and zero NOx, SOx and particulates emissions
- These reductions can be achieved across commercial, residential, transport and other applications

Ceres' current applications	Why our technology
– Ceres is working with Bosch on a 10kW modular system aimed at the commercial market, EV recharging infrastructure – Miura is now selling 4.2kW combined heat and power units into the commercial built environment – 1kW and 5kW fuel cell stack units	– Natural gas today, hydrogen tomorrow. Versatility on the path to net zero – Balances renewables and provides grid reinforcement – More electrically efficient than other forms of power generation – Can decarbonise heat – Modular platform from 1-5kW in buildings to 10s/100s kW for commercial and industrial uses
– 30kW range extender for buses, currently in field trials in China with partner Weichai – Applicable for wider range of commercial vehicles, such as trucks	– Acts as a range extender to battery electric vehicles (BEVs) for larger vehicles – Can perform with different fuels such as natural gas, biofuels and blends of hydrogen to take advantage of existing refuelling infrastructure
– Ceres is starting to examine this important market in more detail – The relationship with AVL List brings marine system experience and industry presence in the market – Ceres partner Doosan has also entered this market through an early-stage project with shipping company Navig8	– The fuel-flexible nature, high electrical efficiency and physical robustness of the Ceres fuel cell stack make it well suited to this application – Ammonia is emerging as a future fuel of choice for the decarbonisation of the marine sector
– Bosch 10kW system – Initial manufacturing scale-up by Bosch could provide fuel stacks for its data centre systems business	– Clean power provided by fuel cells brings simplicity, lower cost, improved efficiency and much lower carbon footprint – 50% decrease in physical infrastructure on site (simpler energy supply chain, less site equipment to maintain, waste heat re-use, elimination of electrical distribution)

Electricity grid reinforcement

How can we effectively manage the rapidly growing demand for electricity?

Governments around the world have introduced targets to decarbonise their societies, setting zero emissions target dates as focal points for a range of clean energy initiatives. This support has given confidence to companies that must make the energy transition away from fossil fuels. Some important steps have already been made in areas such as renewable energy, but all scenarios for decarbonisation have at their heart the widespread electrification of road transport and heating.

The problem

The demands that will be placed on electricity grids around the world will be significant. For example, a single charge for an electric vehicle needs as much energy as a week's electricity for an average UK home. These grids were not built to address the demands of new electric vehicle recharging and heat pumps so significant upgrades to the network are required.

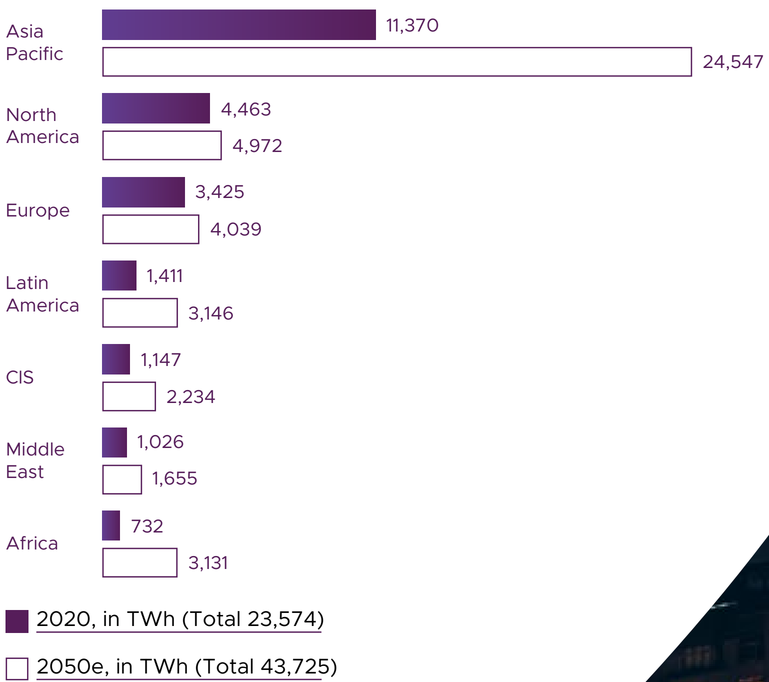
These upgrades to substations and underground cabling are disruptive, expensive, time-consuming and, in many situations around the world, simply not viable.

Working with partners towards a solution

Ceres technology can be used to distribute smart, high-efficiency, dynamic and fuel-flexible electricity generation nodes at key points in the network. This deployment defers or removes the need for investment in the network and accelerates the electrification journey. Bosch has been collaborating with Ceres since 2018 to develop a system that uses our SOFC technology to generate very high-efficiency electricity at the point of use.

These charging nodes will provide power to electric vehicle recharging stations, data centres and commercial premises as and when it is required, reducing the peak load on existing grid infrastructure. The unique fuel flexibility of SOFC technology within these systems enables them to use the existing gas grid infrastructure which is itself being decarbonised through bio-gas and green hydrogen.

Total energy consumption



Source: Enerdata Eneroutlook 2050, Final Electricity Consumption forecast, based on successful achievement of Paris Climate Achievement targets.

Growing a global clean energy technology business

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Building on the achievements of 2019, we reached key strategic milestones with our most important partners, further validating the high-margin, asset-light licensing model we employ.

Phil Caldwell
Chief Executive Officer

I am pleased to report another successful period for the Company, which has performed strongly in spite of the current pandemic conditions across the globe. This achievement is testament to the calibre of our people, who have responded to the challenges to our business with renewed commitment and professionalism. I echo the words of our Chairman in expressing pride and gratitude for the way in which staff across our offices have worked tirelessly with our partners to deliver the strategic and operational progress over the last 18 months.

Indeed, during this time of upheaval to normal life, our purpose as a business has never resonated more clearly among our stakeholders. Our mission is to help make our planet a better place, using our technology to deliver clean energy anywhere in the world.

As well as playing our part in helping societies decarbonise, we are also continuing to develop our own corporate ESG reporting framework, guided by the UN Sustainable Development Goals. This year we will be adopting a Science Based Target (SBT) approach to the reporting and verification of our ESG metrics, in line with emerging best practice among our peers. This work will be conducted under the auspices of the ESG Committee established in 2019 and we aim to set a zero emissions target for the Company during the course of the current year, a focal point for our SBT measures. Further details on our ESG policies and metrics can be found in the Sustainability report on page 24.

Market dynamics

As governments around the world look beyond the current pandemic, the world's leading economies have made new commitments to tackling the causes of climate change. This has been catalysed by the desire to put in place post-Covid-19 economic stimulus packages with green initiatives at their heart. In turn, this provides further impetus to the energy transition societies need to make as they move away from fossil fuels to clean, zero emissions fuels such as hydrogen or ammonia. The challenge is to achieve this transition at the same time as continuing to meet growing global demand for power capacity, with the global installed capacity set to increase from 7,566GW currently to an estimated 20,391GW in 2050, according to Bloomberg NEF's New Energy Outlook 2020.

South Korea's Green New Deal has committed KRW73.4 trillion (£46 billion) of green funding to drive its economic recovery after the pandemic. It is targeting 15GW of fuel cell power generation by 2040, with 2.1GW of that total for stationary fuel cells in buildings.

China, the largest producer of carbon dioxide in the world currently, has also made a significant decarbonisation pledge. Emphasising the need for a 'Green Revolution' in September 2020, China committed to carbon neutrality by 2060 with peak emissions taking place before 2030.

This follows the European Union's €550 billion pledge to support green initiatives between 2021 and 2027 as it targets zero net emissions by 2050. The EU's biggest single economy, Germany, also reiterated its intention to achieve carbon neutrality by 2050 and is targeting 5GW of hydrogen production capacity by 2030, with another 5GW a decade later.

As momentum behind green energy builds, other European nations including Italy, Spain and the UK have followed suit. The US re-joined the Paris Climate Agreement upon President Biden's inauguration and his administration is introducing a substantial Build Back Better package of incentives and subsidies to stimulate the US move towards zero-carbon emissions, investing US$2 trillion in clean energy, aiming for 100% clean electricity production by 2035 and for the nation to achieve net zero emissions by 2050.

Government clean energy initiatives in key markets

South Korea: Korea's Green New Deal has committed KRW73.4tn (£46bn) of green funding to drive economic recovery. Targeting 15GW of fuel cell power generation by 2040, with 2.1GW for stationary fuel cells in buildings.

China: Aiming to become carbon neutral by 2060 through a 'Green Revolution', with peak emissions before 2030. China's 14th Five Year Plan (2021-25) set to persist with long-term ambition of developing the green economy.

Japan: The first country to adopt a Hydrogen Strategy and leads globally in the deployment of fuel cells. It is targeting zero emissions by 2050.

EU: Funding of €550bn in green projects to 2027 and a separate €750bn Covid-19 recovery fund. EU budgets must "do no harm" to goal to become carbon neutral by 2050.

Germany: Germany has announced €9bn in stimulus for hydrogen technologies and links fuel cells as a path to decarbonisation and carbon neutrality by 2050.

USA: President Biden has rejoined the Paris Agreement on Climate Change and is preparing to spend up to US$2tn on clean energy initiatives through the Build Back Better package, aiming for zero emissions by 2050.

As societies come to terms with the scale of the journey to net zero emissions, many of the existing players that are active in the power markets are examining their technologies and how well equipped they are to making this transition. The benefits of SteelCell® in both the stationary power and transportation markets are becoming better recognised and some of our early adopter partners have deepened their relationships with us as they scale up their businesses towards mass manufacturing our fuel stacks under licence in their own factories.

Commercial progress and partnerships

Building on the achievements of 2019, we reached key strategic milestones with two of our most important manufacturing partners during the period, which further validates our licensing business. For the first time these milestones provide visibility to the important royalty revenues that will be the main driver of the future profitability of the business.

In our systems business, we announced a collaboration with AVL List, one of the world's leading fuel cell engineering consultancies to accelerate OEM uptake and create demand for fuel stacks from our manufacturing partners and add further momentum to royalty revenue streams.

Bosch

We have been working with Bosch since 2018, on an initial two-year technology transfer programme that paved the way to initial manufacture in this period under licence in its factory at Bamberg, Germany.

In parallel with the technology transfer process, Bosch also deepened its corporate relationship with Ceres by increasing its equity holding through the acquisition of existing and new shares in March 2020. Ceres issued 15.4 million new shares to raise an aggregate £49.2 million in new funding from existing shareholders Bosch and Weichai, with Bosch increasing its holding in the Company's equity to 18% and Weichai exercising its anti-dilution rights to maintain its shareholding at 20%.

After working closely with the Bosch engineering team during 2020 in the prototype manufacturing phase, we passed a key milestone at the end of the year which triggered the next stage of the licensing agreement. In December 2020 we announced that Bosch was now preparing to start volume production of fuel cell systems incorporating Ceres' proprietary SOFC technology in 2024, aiming to achieve an initial annual production of around 200MW from its own manufacturing facilities in Germany. The value of this next stage of the licensing agreement to Ceres from 2021 to 2023 is around £23 million, of which c.£6 million is conditional on meeting certain KPIs based on performance.

This is a significant step forward for the business, validating our licensing model by paving the way for kW-based royalty revenues from 2024 onwards. The stacks will initially satisfy demand for Bosch's products for decentralised power provision in cities, factories, trade and commerce, data centres and electric vehicle charging infrastructure, markets that Bosch believes may be worth around €20 billion by 2030.

Bosch has stated that currently 'more than 250 Bosch associates are supporting the development and manufacture' of Ceres fuel cell-based systems and it estimates that it will invest 'hundreds of millions of euros by 2024' in its German manufacturing facilities.

Doosan

Fuel cell market leader Doosan of South Korea is also an important partner for Ceres. We started working with Doosan in July 2019 after it signed an £8 million systems licensing agreement to develop a low-carbon 5-20kW power system. This progressed quickly and in October 2020 we announced that Doosan had also signed a manufacturing licence to produce Ceres fuel cell stacks in South Korea.

The agreement is worth up to £43 million to Ceres, with licence fee, technology transfer and joint development revenues of £36 million over three years to 2024 plus an additional £7 million contingent on meeting KPIs. Doosan is initially targeting 50MW of annual capacity by 2024, but we believe this could ramp up quickly given Doosan's plans to develop utility-scale SOFC power stations using our technology.

Doosan is also looking to develop other applications for fuel cell stacks. In November it signed a Memorandum of Understanding with Singaporean shipping company Navig8 to investigate whether SOFC technology can be used to provide electric power for commercial tankers. This is likely to be a multi-year project but does give our technology a foothold in the large shipping market that is taking steps towards decarbonisation.

Weichai

In early 2020 we started a field trial of our 30kW electric bus range extender unit with Weichai. However, this coincided with the start of the Covid-19 pandemic and we experienced a short delay as working practices in both China and the UK were impacted. We moved swiftly to implement socially distanced operating processes to mitigate the effects and returned to full support capability shortly afterwards. We expect that we will complete this in the coming months and will validate the technology for automotive applications.

Once the trial completes, we hope to announce the establishment of a joint venture fuel cell manufacturing company in Shandong Province, China, in mid-2021 to produce Ceres SOFC systems. As previously disclosed, the joint venture is intended to provide a staged path to high-volume manufacturing potentially for buses, commercial vehicles and other applications in China.

AVL List

Capping off a busy end to 2020, Ceres announced a Strategic System Collaboration with AVL List, a globally recognised consulting engineering firm based in Austria with over 20 years of experience in fuel cell systems. The company currently generates around €2 billion in turnover and operates from 26 offices around the world, employing more than 11,500 people. AVL List has existing systems designs in commercial CHP; industrial prime power; automotive and marine; and large-scale power systems (100kW+), so brings a wealth of diverse experience and expertise to the new relationship.

The collaboration creates an engineering services practice to offer customers state-of-the-art systems designs incorporating our SOFC stack. Ceres and AVL List will work together on customer acquisition and to identify and exploit the growing interest in SOFC technology in new applications and regions. By pooling our respective systems IP we will create a significantly stronger IP position in the market to expand the applications accessible to Ceres' technology. Revenues generated from engineering services and systems licence fees for customers created by the collaboration will be shared in an equitable manner. The core Ceres stack IP is outside the scope of the collaboration and will continue to be developed and licensed independently by Ceres.

Working with AVL List brings us important strategic benefits. Combining its expertise and market presence with our own IP and systems know-how enables us to reach into more end-market applications than we could on our own. New OEM customers will drive demand for stacks from our manufacturing partners, adding further momentum to royalty revenue streams and enabling us to position our stacks as an industry standard for SOFCs.

Operations

During the first half of 2020 our pilot production facility at Redhill in the UK was commissioned, built and successfully commenced production of Ceres fuel cell stacks for our 1kW and 5kW stacks. In particular, the 5kW stacks are meeting the demand for both our internal R&D activities and to supply our licensing partners for their testing and trials.

By the end of the year we achieved capacity of 2MW per annum. This initial production capacity is now being increased to 3MW as we scale up to support our manufacturing partners Bosch and Doosan in their progression towards their mass market launches. We will also continue to supply systems licensees with stacks until our manufacturing partners come on-stream and we can migrate them across to this supply.

Ceres continued to expand its development capabilities and capacity during the period, aiming to ensure that the functional performance targets and expected lifetime of the stacks can be met. Our partners intend to take our technology into higher-power applications, further focusing on our 5kW fuel stack as their core module for their larger arrays. To support this development we have expanded the capabilities of our test infrastructure and included trial units from our licence partners for evaluation within our testing programme.

Throughout the period our engineering teams have continued to work closely with our partners, transferring the technology required for them to set up their own manufacturing facilities. As we have deepened our engagement with partners we have jointly developed further enhancements around our IP for the benefit of both partners and ourselves in engineering and manufacturing operations.

Technology developments

Ceres' fuel cell technology is highly differentiated from other SOFC technology families, allowing us to execute a licensing business model that sets us apart in the clean energy sector. This technology leadership is maintained through a well-funded internal R&D programme, as well as using digital techniques to maximise our productivity and to identify and evaluate new system applications and markets. We also continue to build strong external academic collaborations with universities to ensure we remain at the leading edge of SOFC innovation.

One area of focused innovation is the use of SOFCs beyond traditional fuels like natural gas and hydrogen. Our stacks can operate using a range of different fuels and we are currently evaluating systems to optimise new operating modes for future fuels (such as ammonia and hydrogen/methane blends) to ensure partners can fully unlock their potential. Existing and new partners can reduce their time to market by licensing our IP across core materials and stack design, system design or manufacturing technologies. Simply put, by embracing our technology they can make better products with higher efficiency, at lower cost, with longer life and better dynamic response.

We have also started our Green Hydrogen programme where we are extending the use of our technology beyond fuel cells. Operating a Ceres SOFC in reverse converts it into a solid oxide electrolysis cell (SOEC), a device that can be used to produce green hydrogen and, ultimately, other green chemicals. The higher operating temperature allows our SOEC to utilise waste steam from industrial processes or be thermally integrated with them to produce hydrogen at very high electrical efficiencies of 80% to 90%.

Last year, we set aside £5 million in seed R&D funding for this Green Hydrogen programme to benchmark the electrolyser's performance and to confirm the production efficiency potential. This is a key differentiator of the technology because green hydrogen is expensive to produce today, with the majority of the cost determined by the input energy costs. By delivering higher efficiency, our SOEC technology could significantly lower the cost of hydrogen production in the future. We are now planning to build a megawatt-scale demonstration electrolyser that will allow our licensees to validate the performance, cost and operational flexibility of our technology.

Financial position and post year-end fundraising

During the period we raised finance from the issue of new shares to our partners Bosch and Weichai. As hydrogen economies around the world start to develop we see new, attractive and high-value opportunities for our technology, both in the current power generation markets as well as in green hydrogen production as I have highlighted above.

The commercial and technical progress of the last year has presented further opportunities to accelerate our development. To take advantage of these opportunities we are raising additional equity financing of c.£180m to be used to access further SOFC markets in higher power applications and future fuels. We are also intending to develop new SOEC opportunities to access the significant new green hydrogen market for fuels and industrial applications. Finally, we are investing in the core business to accelerate innovation and development to maintain our technology leadership. The broader financial base of the business will further strengthen our ability to execute for our stack partners as they scale up their manufacturing capabilities.

People

The last few months have presented unprecedented challenges to the way we conduct our business and execute our growth plan. Despite the social distancing restrictions and significant changes to our working practices, we have been able to recruit 125 new employees, of which 88 are scientists and engineers, enabling us to introduce new skills and experience to the Company, consolidate our core solid oxide skills base and build the foundation for our new initiative in the electrolysis market.

I am also pleased to announce that we will be rolling out the Ceres Academy across the business over the next few months to develop staff at different levels of the organisation. The Academy will offer three formal programmes and will be supported by a new competency framework and an e-learning portal with a variety of personal development modules available to all staff.

As at 31 December 2020, Ceres employed 325 people drawn from across 33 different nationalities. This broad base of different backgrounds, expertise and experience is a major contributor to the vibrant culture of Ceres and we will continue to invest in developing our people.

Outlook

We finished the period strongly with good momentum in the business. A key focus for the year ahead will be on ensuring we continue to deliver to our partners as they work towards scaling up their production capabilities. We will also seek to develop new systems relationships through the new collaboration with AVL List, which broadens our presence across multiple new application areas.

Technology remains at the heart of our business and we will deploy capital from today's equity fund raise in both our core power generation IP and in the adjacent electrolysis market, accelerating our time to market. We are well positioned to provide clean energy technology into multiple applications across society meet the increasing urgency to address climate change providing long-term growth opportunities for our business. I am proud of what the team at Ceres have achieved in this period and look forward to the year ahead with confidence.

Phil Caldwell
Chief Executive Officer

A clear strategic vision

To bring cleaner energy to the stationary power and transportation markets by embedding our solid oxide technology in the power products of world-class companies.

To help decarbonise industrial processes that are carbon-intensive but hard to abate, developing our IP to power efficient electrolysis stacks that produce future fuels cost-effectively.

Description	Performance to date	Planned future actions	Link to KPIs
Commercial progress with new and existing customers			
We are now supporting two major stack partners as they scale up their production capabilities towards mass market launch in 2024. We also continue to work with our system partners to help them bring innovative products to their respective markets.	Our partners are investing in manufacturing our technology and, to ensure we can deliver on their programmes, we are expanding our engineering teams to support them.	Our prime focus is on delivering on existing manufacturing programmes. We plan to announce a JV with Weichai in China in mid-2021. We will continue to develop new system partners both on our own and through the new AVL List strategic systems partnership.	1. 2. 3.
Establish Ceres SOFC technology as the industry standard			
We aim to establish our technology as the SOFC technology of choice for the world's leading OEMs, setting the standard within the industry. We also want to retain leadership as a system developer. We aim to attract multiple system partners and OEMs to drive demand of the Ceres fuel cell stack in volume.	We have developed a modular 5kW stack to provide higher power and to allow our partners to develop higher-power systems for different applications. We have entered into strategic partnership with engineering consultancy AVL List to accelerate the OEM uptake of our technology.	We continue to create new systems with better performance and power output. As we scale up our own activities to support our partners we plan to increase our pilot production capacity from 2MW to 3MW during the course of the current year.	2. 4.
Maintain technology leadership			
We have developed the Ceres SOFC to be one of the most robust and fuel-flexible fuel cells in the world. We will continue to innovate our IP in both fuel cell and electrolyser modes, where we see attractive opportunities. We will explore new applications for our core technologies alongside our current fuel cell offering.	Last year we also started to investigate adjacent technology areas, such as electrolysis, where we can apply our IP. We hired an additional 88 scientists and engineers into the business during 2020 to support this activity.	We will continue to develop our stacks and systems to further their performance, cost and lifetime. We have raised new equity capital to accelerate our core fuel cell development into new fuels and higher-power applications. We will also invest in building an SOEC demonstrator over the next 12-18 months.	5.

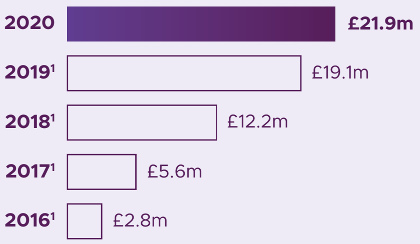
Our key performance indicators

The Board monitors the Group's progress against its strategic objectives and the financial performance of the Group's operations.

The following details the principal key performance indicators (KPIs) used by the Group. We utilise both financial and non-financial KPIs to measure performance.

Financial KPIs

1. Revenue & other income



Description

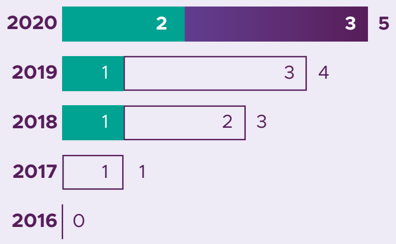
Ceres Power has delivered strong revenue growth over the last five years.

Link to strategy

We anticipate continued high-quality, high-margin revenue growth going forwards.

1. Revenue and other income presented in the above table for the periods 2016 to 2019 has been restated to re-base the amounts to reflect 12-month periods ended 31 December each year to align with the Group's change in accounting period.

2. Partners at Joint Development Agreement (JDA) and Licensing



Description

Doosan and Bosch are now mass manufacturing partners alongside Weichai and Miura as system licensing partners.

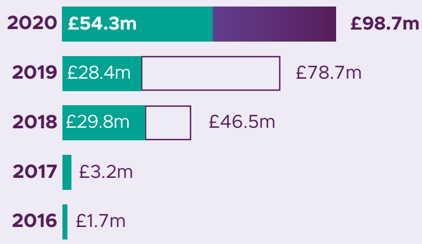
Link to strategy

System licensees will drive volume for our manufacturing partners.

Manufacturing partners

System partners

3. Order book & pipeline



Description

'Order book' refers to confirmed contracted revenue and other income, while 'pipeline' is contracted revenue and other income which management estimates is contingent upon options not under the control of Ceres.

Link to strategy

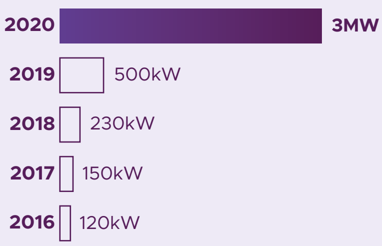
Gives the Company confidence that it can continue to grow and approach commercialisation.

Order book

Pipeline

Non-financial KPIs

4. Overall manufacturing capacity



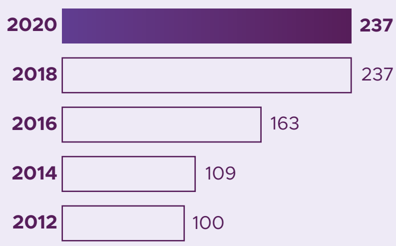
Description

Stack manufacturing capacity from Ceres and its partners.

Link to strategy

The capacity helps partner programmes to achieve their goals, and we expect this to increase over time as Bosch's and Doosan's facilities come on-stream.

5. Power density



Description

Improvement since 2012 at cell level. The next core technology release due in 2021 is expected to increase power density further.

Link to strategy

This is a key focus of our development which can translate into improvements in cost, power and efficiency.

Talking future energy with

Tony Cochrane

Chief Commercial Officer

Mark Selby

Chief Technology Officer

What distinguishes the Ceres fuel cell stack from other fuel cell technologies?

Our fuel cell is today's most advanced solid oxide fuel cell (SOFC) technology. Other fuel cell technologies include alkaline and proton exchange membrane (PEM). Alkaline fuel cells were developed in the 1930s and have been widely used in the US space programme. Although efficient at generating electricity (60% conversion of fuel to electricity using pure hydrogen fuel) these cells have been superseded by lower-cost technologies. PEM fuel cells offer high power density and rapid dynamic response, making them ideally suited to automotive markets. However, in common with alkaline systems, these cells can only be fuelled by very pure hydrogen and achieve lower levels of electrical efficiency, around 40%.

SOFCs offer two key advantages over other fuel cell technologies. Their higher operating temperatures enable them to generate electricity from a range of different fuels – from natural gas, biofuels, hydrogen blends and pure hydrogen. This differentiated feature makes SOFCs the only technology that can enable the transition from the fossil fuels of today to the pure hydrogen power of tomorrow. The second key feature of SOFC is its higher electrical efficiency – converting over 60% of the input fuel to electricity.

Fuel cells are not new. Historically, they have been held back by cost (in the case of older SOFC technologies) and/or the need for dedicated hydrogen fuelling infrastructure (alkaline and PEM). Our technology solves both of these problems. Because of its relatively low operating temperature compared to traditional SOFC (600 Celsius compared to 700-900 Celsius), our cells can use much simpler, less expensive raw materials and can be produced using low-cost manufacturing processes. As Tony highlights, SOFCs can consume a wide range of fuels enabling them to work in conjunction with today's fuel infrastructures. Alongside those advantages, the robustness of our design (which derives from the ferritic steel substrate) enables a much wider range of applications where traditional all-ceramic SOFCs can not be used.

How can you make sure your intellectual property (IP) is protected?

As a licensing business, there are three basic tools Ceres uses to protect our technology. The first one is our patent portfolio and we have documented rights across the whole value chain from core materials science concepts and stack designs, manufacturing, and system concepts as well as in the application of our technology. Our patent families constitute the public disclosure of our technology and we have about 95 patent families. Secondly, we have a range of know-how and trade secrets that our partners access through technology transfer and engineering services. These activities represent an important aspect of helping our partners become successful in their chosen applications. The final (and possibly the most important) tool is the ongoing R&D and engineering effort that ensures Ceres retains its technological competitive advantage.

Our partners fully understand our IP protections (which are built into our commercial contracts with them) and their access to our technology, so they know that they are not just buying what's on the shelf, but investing in a long-term relationship that keeps them and Ceres at the forefront of this space.

Our partners can acquire either stack manufacturing or systems licences. A manufacturer will typically acquire a licence that grants access to some of the core technology IP to enable them to produce the Ceres stacks under licence from their own facilities. These stacks will not only satisfy the demand from their own SOFC systems and products but also demand from third-party original equipment manufacturers (OEMs). These OEMs do not want to manufacture the Ceres fuel cell stacks, so acquire systems licences from us, allowing them the right to use our stacks within the systems they design for their own use or for the use of their customers.

Where are the key markets for the technology?

Our partners are developing applications aimed at a number of diverse markets. These include the data centre power supply market and the commercial environment with a combined heat and power unit, as well as portable power supply units and larger grid reinforcement products. We also see opportunities for our technology to reach into the heavy transportation market through our relationship with industry expert AVL List and Doosan's relationship with Navig8.

Governments around the world have been publishing their economic plans for a post-Covid world, which have at their heart stimulus packages for green initiatives to tackle the impacts of climate change. A healthy mix of subsidies, targets and regulation helps promote confidence among corporates looking to make the energy transition to greener energy sources, in turn providing us with opportunities to license our IP.

How well do you think the Ceres licensing model is working?

Our most recent announcements underline the scaling up of our licensing model, with major industrial partners now preparing to move into mass manufacture. We will continue to support them and are well on the way to achieving the mass market launch of the Ceres fuel cell stack in 2024. Up to 2024 we will generate substantial revenues from contracted licence fees, engineering services and stack sales. But once our partners achieve mass manufacturing volumes the royalty component of the licensing model will start to kick in, further driving the growth of the business.

The key driver for the energy transition is deploying solutions at scale and speed. Our licensing model means that every time we agree a licence with a partner, we have a new engineering team committed to taking our technology to market across a breadth of opportunities that we could never fully harness on our own. Not only do we access their resources and teams, we benefit from their industrialisation expertise and market presence. This helps us to accelerate our technology into a range of stationary and transportation power sectors quickly, a process now amplified through the strategic relationship with AVL List.

What is the importance of the AVL List collaboration?

Founded in 1948, AVL List is one of the biggest and most established power engineering consultancies in the world. The company is based in Austria but present in 26 different territories, employing around 11,500 people, most of whom are scientists or engineers. We have entered into a strategic partnership to share our systems IP and to leverage AVL List's customer base and market presence. We can choose to combine our respective systems IP to win new customers, thereby accelerating opportunities for our technology and sharing the benefits between us.

AVL List's reputation in the industry speaks for itself. It has been committed to investing its own R&D capital for over 20 years in fuel cell system applications for cars, buses, ships and commercial markets. AVL List works alongside many of our current (and hopefully future) partners – we couldn't have found a better fit. With its broad engineering skillset and its test, simulation and modelling facilities, the relationship enables us to capture more new opportunities than we could alone, in turn creating demand for our manufacturing licensees.

What are the capital needs of the Company going forward?

One of the benefits of our licensing model is that the business has a low capital intensity, so with our manufacturing facility in Redhill now up and running the day-to-day capital needs of the core business are modest.

In addition to our current plan to support our partners as they scale up towards mass market launches, we see further growth opportunities in our fuel cell business as well as new markets in electrolysis from the same solid oxide technology base. We have raised additional equity capital to invest in our continued growth and to maintain our technology leadership.

Employing new capital in our SOFC business will accelerate the development of higher-power applications and the optimisation of our systems to manage new e-fuels, as well as strengthening our commercialisation plans with key stack partners. We will also invest in our Green Hydrogen programme, developing a megawatt-scale electrolyser to produce green hydrogen for industrial applications over the next 18 months to demonstrate our SOEC technology to potential licensing partners.

What is electrolysis and why have you started to invest in the technology now?

Electrolysis is the process of producing green hydrogen from water and renewable electricity. Essentially, it's running a fuel cell in reverse so we can make use of our existing IP. Hydrogen can be used as a zero emission fuel, so generating it from renewables and using it to power ships, trains and planes is an interesting route to decarbonising those areas of transport. When we look to decarbonising the most carbon-intensive parts of our economy hydrogen may be the only tool capable of doing so effectively. We're asking how we can replace coke in the steel manufacturing process, or how we can produce the ammonia needed for fertilisers without burning natural gas. And if we are to replace these fuels with hydrogen, where will this come from? Our solid oxide approach to high-temperature electrolysis positions us well to address these important questions.

So why now? Many governments around the world have committed to zero-carbon targets in the coming years, with hydrogen seen as the fuel of the future. However, it is currently expensive to produce and the electricity used may not come from clean sources. We see an exciting opportunity to develop a technology that produces hydrogen more efficiently than the low temperature technologies of today.

What do you see as the main focus of the business today?

Our priority is to deliver on current strategic partnerships. Both Bosch and Doosan are working towards mass market launch dates in 2024, so our teams continue to work closely with them to help implement and scale up their production facilities.

We are working closely with system partner Weichai to complete the current bus trials and forming our joint venture in China in mid-2021.

We are also working hard to bring new OEM partners to our technology as their systems and products will drive demand for SOFC stacks from our manufacturing partners. We expect that the AVL List relationship will bring further OEM opportunities.

Clean energy for heavy transport

How can we decarbonise the heavy road and marine sectors where electrification is challenging?

The last ten years have seen rapid development and consumer acceptance of electric passenger cars, supported by widespread availability of compact, reliable and low-cost battery technologies.

The problem

Whilst light passenger transport is moving at pace toward electrification, the future for long-haul heavy transport is less clear. Currently, lorries, buses and coaches are responsible for about a quarter of CO_2 emissions from road transport in the UK and EU and for some 6% of total UK and EU emissions. The combined weight of a truck and its cargo requires more power than passenger vehicles, but adding more batteries to provide that power simply exacerbates the weight issue. And more batteries means even longer recharging times and greater demands on the electrical grid. For example, a roadside truck-stop for 20 trucks (with a one-hour charge time) would require an electricity connection equivalent to a town of over 30,000 people. Where will this power come from and how will it be managed?

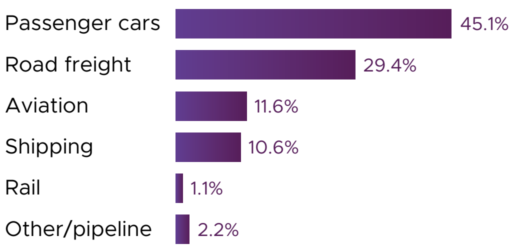
Around 80% of the world's goods are transported by ship to their destination markets. As a result, around 11% of all carbon emissions in transport are derived from shipping, so there is a recognised need to take action now across the industry. The International Maritime Organization (IMO) has announced an ambition to at least halve international shipping greenhouse gas emissions by 2050 from a 2008 base, with demanding intermediary targets.

But tackling this issue is a complex and costly task. Shipping operates with high capital costs, long-lived assets and low margins, and is currently highly dependent upon on-board fossil fuels. Around 85% of emissions are from deep-sea freight with no option to electrify; maritime consultancy UMAS estimates that decarbonising shipping will cost around US$1.65 trillion. In order to meet the IMO targets the maritime industry urgently needs to move away from the combustion of diesel.

Working with partners towards a solution

Ceres and Weichai are developing range extender solutions for buses and have already successfully demonstrated a 30kW concept in China, with a five-bus field trial. These buses are equipped with battery packs, which deliver dynamic, high-density power to the electric motor. The fuel stacks continually recharge the batteries so that the range of the bus is extended in a hybrid manner.

Global carbon emissions from transport data



Source: ourworldindata.org, October 2020

These trials are in progress to test the technology and on successful completion could lead to a joint venture in the territory with Weichai.

The robustness, high efficiency and fuel flexibility of our technology enables vehicles to leverage the existing natural gas supply chains initially and then migrate to zero-carbon fuels like green hydrogen or ammonia (potentially for marine) when the appropriate networks have been established.

Our technology has also made its first steps into the marine market through our South Korean partner Doosan, which has signed a Memorandum of Understanding with Navig8 to develop a SOFC system for a 50,000 tonne chemical tanker test vessel over the next few years.

Our strategic collaboration with AVL List could also take our technology into the marine market through its engineering expertise in shipping power trains, including the hybridisation and electrification of ships.

Environmental, Social & Governance

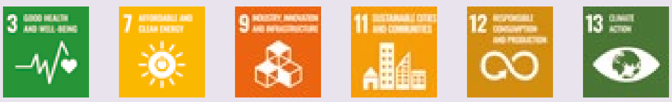
As a company whose purpose is to help sustain a clean, green planet by ensuring there is clean energy everywhere in the world, Ceres Power's commitment to acting and developing sustainably lies deep in our DNA.

Ceres' clear purpose is underpinned by strong ESG beliefs which are embodied in our ESG Policy and are turned into actions under the responsibility of the non-Board ESG Committee. Chaired by CEO Phil Caldwell, the Committee comprises people from different management levels across the business.

The ESG Committee has implemented the first phase of our Streamlined Energy and Carbon Reporting (SECR) disclosures on carbon emissions on page 25 and is putting in place a Science Based Target-led initiative (SBTi) that will define independently verifiable carbon reduction measures during the current year. Ceres will be carbon neutral from 2021 through use of carbon offset schemes while we develop our full net zero strategy.

A critical part of our guidance comes from the UN's Sustainable Development Goals (SDGs), which encompass poverty, inequality, climate, environmental degradation, prosperity, peace and justice. These goals, which are increasingly shared by investors and corporates, frame our thinking on how we can play our part in creating a better and fairer world by the UN's target date of 2030. At the moment, we believe we are making a meaningful contribution to 11 of the SDGs across environmental and social and governance goals.

Our global environmental impact



In the last 12 months our core technology has been incorporated into the future manufacturing plans of two major industrial organisations as they seek to offer sustainable energy solutions to the market. This SOFC technology converts fuel into power at much higher efficiency than traditional methods and it does so without combustion, producing near- or even zero-carbon emissions as well as zero-NOx, SOx or particulate air pollutants. It also should be exceptionally versatile, both in its uses – whether for powering commercial properties, extending the clean range of commercial vehicles, providing clean energy to heavy transport such as rail or marine, or powering data centres – and in the variety of source fuels it can use.

The Ceres fuel cell can produce clean electrical power from everyday natural gas, biofuels (and so encourage their growth), or future fuels such as hydrogen (giving greater incentive for the world to invest in the hydrogen economy). Unlike other fuel cells, which typically use a greater amount of rare earth material, our stack has recyclability at its heart. Its construction comprises over 95% steel by weight, the most widely recycled material globally and one that is largely recycled or reused again.

In 2020 further research proved the feasibility of using core Ceres technology to generate hydrogen from clean electricity, thus promising a highly efficient source of green hydrogen to a range of uses including the hardest-to-abate sectors like steel mills or chemical plants. Initial indications suggest competitive performance at attractive commercial levels can be achieved.

Critically, as a licensing company, we are enabling the world's most progressive companies to deliver clean energy at scale and at speed. We already work with mainstream global partners such as Bosch, Weichai, Doosan and Honda, who can take our technology and scale it up to provide the world with clean power solutions for commercial properties, transportation and business applications. Our technology should provide communities across the globe with access to a readily available, secure and decentralised source of clean power, greatly helping to increase quality of life wherever it is installed.

Our current social and governance impact

As a forward-thinking company, we have also been targeting sustainability not just in our technology but in our culture, philosophy and direction closer to home. We've reviewed key social indicators such as diversity within our workforce. In an industry that tends not to attract many female applicants, we are pleased to report that we have continued to improve upon our gender diversity with 18% of Ceres roles being held by women, compared to 16% last year and an industry average of 12%. This is something we will continue to build on. Cultural diversity is of equal importance to us and we are pleased to have 33 different nationalities represented within our workforce.

We believe in nurturing and investing in our talent and have created and developed a new Ceres Academy designed and tailored around our core purpose, strategy and values which sit at the heart of all our culture and development programmes and initiatives.

We have also continued to expand our graduate and intern programmes as well as engage and enthuse young people into our industry through our STEM activities led by our STEM ambassadors.

Our Connect employee forum has played a critical role in supporting and safeguarding our people through the wellbeing and workplace hub; in being environmentally conscious through the eco and sustainability hub; and in giving back through our social, charity and community hub.

Streamlined Energy and Carbon Reporting

For the 12 months to December 2020

Disclosure	Description	Emissions[4]	Energy
Scope 1 Direct emissions	Fuel used in transport and consumption of natural gas[1]	368 tonnes CO_2e	1,988,842 kWh
Scope 2 Indirect emissions	Electricity purchased and used for operations[2]	861 tonnes CO_2e	4,901,240 kWh
Scope 3 Other indirect emissions	Fuel used by company-funded staff vehicles[3]	14 tonnes CO_2e	59,185 kWh
Total		1,243 tonnes CO_2e	6,949,267 kWh
Carbon intensity	Total carbon emissions for Scope 1, 2 & 3 per £100k revenue	5.7 tonnes CO_2e /£100k revenue	

Boundary condition explanation:
1. Other gas use and emissions from test stands and international travel excluded
2. From October 2020 100% of our electricity has been sourced from zero-carbon sources
3. Upstream supply chain and downstream in-use emissions excluded
4. CO_2e calculated from fuel used in company vehicles, electricity purchased for ongoing operations and natural gas consumed for buildings and testing, converted to CO_2e using government-approved conversion factors. No carbon-efficiency actions beyond converting to clean electricity were taken in 2020.

Ceres fuel cell technology that is being developed and manufactured enables up to a 45% reduction in CO_2 emissions compared to the carbon emissions produced by consuming electricity from the centralised grid in an average G20 country with 2018 levels of renewables.

The electricity generated from fuel cells and stacks in development at Ceres is used to offset our own grid demand where there is net positive electricity generation from the stack on test.

Ceres has 2MW manufacturing capacity of SOFCs at our pilot plant; the output of one year would offset over 3,000 tonnes of CO_2 a year if run continuously. This is equivalent to more than double the Ceres total carbon footprint. In 2020 Ceres signed agreements for 250MW per annum production of this technology in 2024 which has the potential to offset c400,000 tonnes of CO_2 per annum compared to conventional technology in an average G20 country.

A summary of our contribution

It's clear to us that our technology can provide real and tangible benefits globally and make a significant contribution to sustainable development. This is a motivating goal that inspires us to continually align our business strategy with making the world a better place through the provision of clean energy for a clean world.

Having reviewed our current carbon footprint and recognising the core principles of our organisation towards clean energy, we continue to be committed to actively reducing our carbon footprint. Below is a short summary detailing our activities and their contribution to the SDGs.

2030 Goal	Ceres activities
Good health & wellbeing	
– Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	The Ceres SOFC creates no additional pollutants such as particulates, NOx and SOx, minimising the negative effects power generation can have on air quality and health. We take the health and safety of our employees seriously. HSE is a standing agenda point for every Plc Board meeting. All employees have access to a range of physical and mental health checks, support and services.
Quality education	
– Substantially increase the number of youths and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship – Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	We believe in investing in people and make training programmes and mentors available. Our new Ceres Academy offers all staff access to a wide variety of learning and development materials, enabling the creation of bespoke development plans.
Gender equality	
– End all forms of discrimination against all women and girls everywhere – Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life – Adopt and strengthen sound policies for the promotion of gender equality and the empowerment of all women and girls at all levels	We believe in promoting gender equality and outperform the industry's average when it comes to male/female ratios. We support STEM activities that encourage girls to pursue careers in industries like ours.
Affordable and clean energy	
– Increase substantially the share of renewable energy in the global energy mix – Double the global rate of improvement in energy efficiency – Enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology	Ceres aims to play a central role in the global energy transition to affordable clean power. We are passionate about our ground-breaking technology and ensuring it is available to all. During 2020 Ceres signed agreements with leading industrial companies to manufacture 250MW per annum of SOFC power generation capability.

2030 Goal	Ceres activities
Decent work and economic growth	
– Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking – Protect labour rights and promote safe and secure working environments for all workers	At the heart of our technology and success are our people. Employee engagement is critical to attract and keep the best people and we aim to provide a rewarding place to work in every sense. We offer competitive employment packages including share options for all.
Industry, innovation and infrastructure	
– Promote inclusive and sustainable industrialisation – Upgrade infrastructure and retrofit industries to make them sustainable – Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries	Today the Ceres fuel cell stack uses natural gas and delivers power at a 30% carbon reduction when compared to the combustion engine. As the infrastructure for tomorrow's fuels such as hydrogen grow, the technology should switch easily to utilise these with potential for zero-carbon emissions.
Reduced inequalities	
– Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status – Ensure equal opportunity and reduce inequalities of outcome	We have a diverse and multinational workforce of 33 different nationalities, ensuring we have the best minds working at Ceres Power and a global cross-section of experiences and cultures.
Sustainable cities and communities	
– Provide access to safe, affordable, accessible and sustainable transport systems for all	Our vision is to help to provide secure, clean, affordable energy to the next generation of cities within transportation, commercial and data centre requirements.
Responsible production and consumption	
– Achieve the sustainable management and efficient use of natural resources – Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle	By harnessing the considerable efficiency gains of our technology, we are able to cut the energy consumption across multiple applications such as data centres, EV recharging, distributed power and heavy transportation, and so reduce GHG emissions with high levels of recyclability inherent in the core Ceres SOFC architecture. We are working across our supply chain to ensure sustainable sourcing and operating practices are employed.
Climate action	
– Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	We are monitoring our own energy consumption as well as carbon emissions of our upstream and downstream activities, while continually ensuring our newest innovations minimise the impact of energy generation.
Peace, justice and strong institutions	
– Promote the rule of law at the national and international levels and ensure equal access to justice for all – Substantially reduce corruption and bribery in all their forms – Develop effective, accountable and transparent institutions at all levels – Promote and enforce non-discriminatory laws and policies for sustainable development	We operate at a high level of corporate governance adhering to all relevant legislation.

Strong commercial progress

Richard Preston
Chief Financial Officer

> In the last 18 months Ceres has achieved a number of key technical and commercial milestones.
>
> The Company has further strengthened its financial position, providing the foundation for continued progressive growth.

Change in accounting period

During 2020 we announced we would change our accounting period end from 30 June to 31 December, and as a result we have prepared these financial statements for the 18 months ended 31 December 2020. To assist with understanding the underlying results of the business, we have also prepared the results for the 12 months to 31 December 2020 (CY2020) to compare with the 12 months ended 31 December 2019 (CY2019), as set out on page 30, which my commentary below also reflects.

Introduction

The 18-month period to 31 December 2020 was another successful period for Ceres, with a number of key events, including Bosch and Doosan stating their intentions to mass manufacture fuel cells in 2024 with contracts respectively worth up to £23.0 million and £43.0 million from 2020 to 2023; our new strategic collaboration agreement with AVL List to drive new system customers and new products; Bosch increasing its equity stake in the Company; and our continued investment into the Company.

During the 18-month period, the Group reported revenue of £31.7 million at a gross margin of 67%, and an overall loss after tax of £14.8 million.

The strong commercial progress drove good revenue growth of 26% in CY2020, whilst maintaining a gross margin of 67% (CY2019: 67%). Gross margin remained stable although the revenue mix changed with more higher-margin licence fees and engineering services offset by a greater supply of lower-margin hardware as our manufacturing facility came online and we provided some parts for our manufacturing partner in the period. Consequentially, in CY2020, the absolute gross profit increased 26% from £11.6 million to £14.6 million. As I have stated previously, gross margin percentage will vary period on period based on timing and quantum of licence revenue recognition and revenue mix.

Investing in the future: people and technology

We continued to invest in building the business for the opportunities we see ahead. It is vital that we can execute our current contracts and help bring our partners to market as they intend, as well as be able to innovate and address new markets.

Operating costs for the business in the 18-month period were £40.3 million and throughout the period we increased the team size as planned, employing 325 people as at 31 December 2020 (240 as at 31 June 2019). We have added people across all aspects of the business, including in manufacturing and mechanical engineering and the testing teams to support existing and expected commercial projects, as well as in R&D to continue to drive innovation. Our pilot manufacturing facility began production in Q1 2020 and its running costs, which include £2.0 million additional depreciation, also contributed to our increased operating costs of £29.7 million in CY2020 (40% up from CY2019).

The Group reported an operating loss of £17.6 million in the 18 month period and £14.8 million in CY2020 (CY2019: £7.8 million) as a result of the above factors.

Solid financial position: the foundation for continued progressive growth

The Group ends the period with a strong cash position of £110 million in cash and investments as at 31 December 2020 with net cash used in operating activities in the period of £5.8 million. In CY2020 net cash used in operating activities was £2.3 million (CY2019: £3.4 million), which benefitted from favourable working capital movements, including higher than expected customer cash collections.

£22m
revenue and other income in CY2020

67%
gross margin in CY2020

£110m
cash and investments at 31 December 2020

We invested £9.3 million in property, plant and equipment in the 18-month period, of which £6.7 million was in CY2020 (CY2019: £8.9 million) on manufacturing improvement, including planned investment to expand capacity further, as well as building out our test infrastructure to accommodate new products including the Green Hydrogen electrolysis programme highlighted in the CEO's review on page 17. We capitalised £3.8 million of eligible development costs in the 18-month period, with £2.7 million capitalised in CY2020 and £4.9 million to date, and we expect greater amortisation of this from H1 2021. The Group's equity-free cash outflow (defined and reconciled to net cash from operating activities on page 31) for the period, reflecting this investment into the business, was £19.1 million, of which £11.8 million was in CY2020 (CY2019: £14.8 million).

In the 18-month period we also raised £50.9 million of proceeds from issuing new share capital, £49.2 million of which was from our strategic partners Bosch and Weichai in Q1 2020, and the remainder from the exercise of employee options.

During the 18-month period the Group adopted IFRS 16, resulting in right-of-use assets of £4.0 million being recognised as at 31 December 2020 (30 June 2019: £nil), in addition to lease liabilities of £4.4 million; these primarily relate to leases of premises. The Group's inventory balance increased to £2.1 million (30 June 2019: £1.4 million) reflecting the increased operations of the manufacturing facility.

Other significant movements to liabilities in the 18-month period included net contract liabilities (primarily deferred income) increasing to £6.6 million (30 June 2019: £2.3 million) primarily due to timing differences between raising invoices and recognising revenue on the Group's long-term contracts and the dilapidation provision increasing to £1.6 million (30 June 2019: £1.0 million), which followed a review of the Group's dilapidation obligations.

Financial outlook

The Group is well placed for volume launch of products by its SOFC manufacturing partners which is planned for 2024. This should be the start of significant royalty streams going forwards. We also expect progress with Weichai in the forthcoming year as we expect a Weichai-Ceres Joint Venture to form in China in mid-2021 and Ceres to start investing into it in the year.

In 2021 we expect a greater mix of licence revenues, our manufacturing facility in Redhill to continue to expand capacity, and an increasing cost base reflecting our planned investment in our future growth strategy. With the order book and pipeline[1] of £98.7 million (30 June 2019: £78.7 million) underpinning revenues for the current and future years and the strong cash position, I am confident about the financial position heading into 2021. I also expect to report SOEC results separately to those of the Group's existing SOFC operations as the SOEC activities become significant.

Richard Preston
Chief Financial Officer

1. Order book refers to confirmed contracted revenue and other income while pipeline is contracted revenue and other income which management estimates is contingent upon options not under the control of Ceres.

Non-GAAP Alternative Performance Measures (APMs)

Following the change in the Group's accounting reference date to 31 December, management has prepared calendar year results to enable a more consistent like-for-like review of the trading performance of the business. The calendar year results are Alternative Performance Measures and cover the trading periods for the 12 months ended 31 December 2020 (CY2020) compared with the 12 months ended 31 December 2019 (CY2019). The basis of preparation applied to these results is set out below and they are reconciled to the Group's Statutory IFRS Results on pages 31 to 32.

Basis of preparation

The CY2020 results have been derived from the audited IFRS results for the 18 months ended 31 December 2020 (as set out on pages 65 and 67), less the unaudited results for the six months ended 31 December 2019.

The CY2019 results have been derived from the audited IFRS results for the 12 months ended 30 June 2019 (as set out on pages 65 and 67), less the unaudited results for the six months ended 31 December 2018, and adding back the unaudited results for the six months ended 31 December 2019.

Consolidated statement of profit and loss

for the 12 months ended 31 December 2020

Unaudited

	CY2020 £'000	CY2019 £'000
Revenue	**21,671**	17,199
Cost of sales	**(7,085)**	(5,612)
Gross profit	**14,586**	11,587
Other operating income	**276**	1,940
Operating costs	**(29,650)**	(21,311)
Operating loss	**(14,788)**	(7,784)
Finance income	**698**	670
Finance expense	**(434)**	(230)
Loss before taxation	**(14,524)**	(7,344)
Taxation credit	**1,353**	2,732
Loss for the financial period	**(13,171)**	(4,612)
Adjusted EBITDA[1]	**(9,955)**	(5,288)

Consolidated cash flow statement

for the 12 months ended 31 December 2020

Unaudited

	CY2020 £'000	CY2019 £'000
Loss before income tax	**(14,524)**	(7,344)
Adjustments	**4,732**	1,906
Movements in working capital	**5,075**	(148)
Income tax received	**2,460**	2,146
Net cash used in operating activities	**(2,257)**	(3,440)
Investing activities		
Purchase of property, plant and equipment	**(6,656)**	(8,875)
Capitalised development expenditure	**(2,719)**	(2,293)
Increase in long-term investments	**(8,000)**	–
Net (increase)/decrease in short-term investments	**(29,231)**	15,700
Finance income received	**669**	474
Net cash (used in)/generated by investing activities	**(45,937)**	5,006
Financing activities		
Proceeds from issuance of ordinary shares	**50,249**	903
Expenses from issuance of ordinary shares	**(344)**	58
Cash received on behalf of employees on the sale of share options	**7,490**	–
Repayment of lease liabilities	**(389)**	(134)
Finance interest paid	**(434)**	(230)
Net cash generated from financing activities	**56,572**	597
Net increase in cash and cash equivalents	**8,378**	2,163
Exchange losses on cash and cash equivalents	**(29)**	(254)
Cash and cash equivalents at beginning of period	**24,606**	22,697
Cash and cash equivalents at end of period	**32,955**	24,606
Cash, cash equivalents, short- and long-term investments	**110,186**	64,606

1. See page 31 for the definition of Adjusted EBITDA, which is an Alternative Performance Measure.

Reconciliation of the consolidated statement of profit and loss

between the 18-month period ending 31 December 2020 and the 12-month period ending 31 December 2020 and between the 12-month period ending 30 June 2019 and the 12-month period ending 31 December 2019.

	18 months ended 31 Dec 2020 Audited £'000	Less 6 months ended 31 Dec 2019 Unaudited £'000	**12 months ended 31 Dec 2020 CY2020 Unaudited £'000**	12 months ended 30 Jun 19 Audited £'000	Less 6 months ended 31 Dec 18 Unaudited £'000	Add 6 months ended 31 Dec 19 Unaudited £'000	**12 months ended 31 Dec 19 CY2019 Unaudited £'000**
Revenue	31,682	10,011	**21,671**	15,300	8,112	10,011	**17,199**
Cost of sales	(10,355)	(3,270)	**(7,085)**	(3,804)	(1,462)	(3,270)	**(5,612)**
Gross profit	21,327	6,741	**14,586**	11,496	6,650	6,741	**11,587**
Other operating income	1,305	1,029	**276**	1,065	154	1,029	**1,940**
Operating costs	(40,266)	(10,616)	**(29,650)**	(20,485)	(9,790)	(10,616)	**(21,311)**
Operating loss	(17,634)	(2,846)	**(14,788)**	(7,924)	(2,986)	(2,846)	**(7,784)**
Finance income	989	291	**698**	552	173	291	**670**
Finance expense	(664)	(230)	**(434)**	–	–	(230)	**(230)**
Loss before taxation	(17,309)	(2,785)	**(14,524)**	(7,372)	(2,813)	(2,785)	**(7,344)**
Taxation credit	2,493	1,140	**1,353**	2,538	946	1,140	**2,732**
Loss for the financial period	(14,816)	(1,645)	**(13,171)**	(4,834)	(1,867)	(1,645)	**(4,612)**
Adjusted EBITDA[1]	(11,368)	(1,413)	**(9,955)**	(5,881)	(2,006)	(1,413)	**(5,288)**

1. Adjusted EBITDA loss is calculated as the operating loss for the 18 months ended 31 December 2020 of £17,634k (12 months ended 30 June 2019: £7,924k; 12 months ended 31 December 2020: £14,788k; 12 months ended 31 December 2019: £7,784k) excluding depreciation and amortisation charges of £4,804k (12 months ended 30 June 2019: £1,025k; 12 months ended 31 December 2020: £3,809k; 12 months ended 31 December 2019: £1,609k), share-based payment charges of £1,378k (12 months ended 30 June 2019: £909k; 12 months ended 31 December 2020: £942k; 12 months ended 31 December 2019: £894k) and unrealised losses on forward contracts of £139k (12 months ended 30 June 2019: £67k; 12 months ended 31 December 2020: £30k; 12 months ended 31 December 2019: £254k) and exchange gains of £55k (12 months ended 30 June 2019: £42k loss; 12 months ended 31 December 2020: £52k loss; 12 months ended 31 December 2019: £261k gain). Management believes that adjusted EBITDA loss provides a better understanding of the underlying performance of the Group by removing non-recurring, irregular and one-off costs.

Reconciliation of the consolidated cashflow statement

between the 18-month period ending 31 December 2020 and the 12-month period ending 31 December 2020 and between the 12-month period ending 30 June 2019 and the 12-month period ending 31 December 2019.

	18 months ended 31 Dec 2020 Audited £'000	Less 6 months ended 31 Dec 2019 Unaudited £'000	**12 months ended 31 Dec 2020 CY2020 Unaudited £'000**	12 months ended 30 Jun 19 Audited £'000	Less 6 months ended 31 Dec 18 Unaudited £'000	Add 6 months ended 31 Dec 19 Unaudited £'000	**12 months ended 31 Dec 19 CY2019 Unaudited £'000**
Loss before income tax	(17,309)	(2,785)	**(14,524)**	(7,372)	(2,813)	(2,785)	**(7,344)**
Adjustments	5,941	1,209	**4,732**	1,504	807	1,209	**1,906**
Movements in working capital	3,084	(1,991)	**5,075**	664	(1,179)	(1,991)	**(148)**
Income tax received	2,460	–	**2,460**	2,146	–	–	**2,146**
Net cash used in operating activities	(5,824)	(3,567)	**(2,257)**	(3,058)	(3,185)	(3,567)	**(3,440)**
Investing activities							
Purchase of property, plant and equipment	(9,256)	(2,600)	**(6,656)**	(7,693)	(1,418)	(2,600)	**(8,875)**
Capitalised development expenditure	(3,795)	(1,076)	**(2,719)**	(1,288)	(71)	(1,076)	**(2,293)**
Increase in long-term investments	(8,000)	–	**(8,000)**				
Net change in short-term investments	(5,531)	23,700	**(29,231)**	(63,700)	(55,700)	23,700	**15,700**
Finance income received	1,123	454	**669**	193	173	454	**474**
Net cash (used in)/generated by investing activities	(25,459)	20,478	**(45,937)**	(72,488)	(57,016)	20,478	**5,006**
Financing activities							
Proceeds from issuance of ordinary shares	50,851	602	**50,249**	77,926	77,625	602	**903**
Expenses from issuance of ordinary shares	(344)	–	**(344)**	(1,141)	(1,199)	–	**58**
Cash received on behalf of employees on the sale of share options	7,490	–	**7,490**				
Repayment of lease liabilities	(523)	(134)	**(389)**	–	–	(134)	**(134)**
Finance interest paid	(664)	(230)	**(434)**	–	–	(230)	**(230)**
Net cash generated from financing activities	56,810	238	**56,572**	76,785	76,426	238	**597**
Net increase in cash and cash equivalents	25,527	17,149	**8,378**	1,239	16,225	17,149	**2,163**
Exchange losses on cash and cash equivalents	(139)	(110)	**(29)**	(67)	77	(110)	**(254)**
Cash and cash equivalents at beginning of period	7,567	7,567	**24,606**	6,395	6,395	7,567	**22,697**
Cash and cash equivalents at end of period	32,955	24,606	**32,955**	7,567	22,697	24,606	**24,606**

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.

Reconciliation between net cash from operating activities and equity-free cash flow

	18 months ended 31 Dec 2020 £'000	12 months ended 30 Jun 2019 £'000	**12 months ended 31 Dec 2020 CY2020 £'000**	12 months ended 31 Dec 2019 CY2019 £'000
Net cash from operating activities	**(5,824)**	**(3,058)**	**(2,257)**	**(3,440)**
Capital expenditure (total)	**(13,051)**	(8,981)	**(9,375)**	(11,168)
Interest payments (net)	**(64)**	193	**(154)**	110
Exchange rate movements	**(139)**	(67)	**(29)**	(254)
Equity-free cash flow	**(19,078)**	**(11,913)**	**(11,815)**	**(14,752)**

Our approach to risk

The Audit Committee plays a central role in the review of the Company's risk and internal control processes, supporting the Board's role in overseeing an enterprise-wide approach to risk identification, management and mitigation. The Company's operations also expose it to a number of financial risks which are managed through various policies, discussed in Note 19 of the financial statements.

Risk management process

The Board is responsible for the Group's risk framework and aims to ensure that the Group's ability to achieve its objectives outweighs its risk exposure. However, the Group's risk management programme can only provide reasonable, but not absolute, assurance that principal risks are managed to an acceptable level.

The Executive Directors are responsible for identifying, managing and mitigating the risks to the Company. Alongside the non-Board Technical and Operations Committee, the Audit Committee reviews the processes and controls for ensuring material business risks are identified and managed appropriately.

The various Board Committees review these risks and mitigations and the Audit Committee subsequently puts them to the Board annually for inclusion in the Annual Report.

Key business risks and mitigations in place are set out as follows:

Principal risks	There is a risk that...	Actions taken by management/mitigations	Change	Link to strategy
Core technology	We will not be able to develop and apply the Company's core fuel cell technology successfully to potential products at the right cost point or performance, in the time frame anticipated.	Ceres is continuing to increase the capability of the core materials development team and the supporting functions and this year our Horsham site will be dedicated to world-class electrochemical R&D and become our Innovation Centre. Management recognises the importance of delivering the technology to customers and has planned releases of new iterations of technology to maintain technological advantage.	Unchanged The level of this risk reduces as we gain greater confidence in it based on long-term trials and ongoing validation. This is offset against our continued need to innovate to meet long-term customer requirements.	**Maintain technology leadership**
Stack and system technology	Stack product maturity does not keep up with commercialisation.	We aim to balance the need to develop against the requirement for product maturity. We are expanding our test capacity and will look to use third parties to grow this facility. We work in close collaboration with partners in their trials and early market launches.	Increasing This risk has increased as existing customers firm up their commercialisation timelines. We validate the stack technology in tandem with issuing it to customers for trials. Technical failure at customer trials could affect the timing of market launches and product liability risk increases with nearing go-to-market timings.	**Maintain technology leadership**

Trend direction

Increasing ↑ Decreasing ↓ Unchanged –

Principal risks	There is a risk that…	Actions taken by management/mitigations	Change	Link to strategy
Intellectual property (IP) protection	The Company's competitive advantage could be at risk from: successful challenges to its patents; unauthorised parties using the Group's technology in their own products; Ceres not harvesting IP from partners; and others infringing existing Ceres intellectual property rights (IPRs). Also a risk that the Group will unwittingly infringe valid IPRs of others, which could limit full commercialisation of the technology.	We have internal procedures and controls in place to capture and exploit all intellectual property (IP) as well as to protect, limit and control disclosure to third parties and partners. Contractual provisions with partners and IP insurance provide additional protection to the Group for agreement, pursuit and defence of IP. We perform freedom-to-operate searches to minimise this risk. We are putting significant focus on improving our information security, cybersecurity and company culture.	Increasing This risk has risen due to increasing information security and cybersecurity threats as our technology gets closer to commercialisation, and as we increasingly disclose more of our technology to partners and the supply chain.	**Maintain technology leadership**
Commercial	Our partners may choose not to use our technology in their products or go to market slower than anticipated. We may not be able to continually attract new partners.	Doosan signed up as a core technology manufacturing partner in the year and Bosch is looking to manufacture in volume from 2024. Our new relationship with AVL List should help bring on multiple OEM system customers in new applications. The widening of the customer base mitigates the impact of individual customers choosing not to move forward.	Decreasing Ceres maintains a strong position in the SOFC space. This risk has reduced with the continued commercial progress and interest from customers, with one customer's commercial launch in the period and two others targeting 2024 to go to market in volume.	**Commercial progress**
Operational execution	The Company may be unable to satisfy customer contracts and scale-up, with an increasingly complex partner structure. This may be due to organisational growth management, supply chain, short-term manufacturing or technical issues.	We are growing our organisation and the capability of our people and will establish improved processes to support simultaneous contracts. We will create collaborations in engineering and test to enable scale more quickly. At the period end we took mitigating action against Brexit scenarios including stockpiling, foreign currency hedging and contingency planning. We are looking to further expand capacity in our manufacturing facility.	Increasing This risk has increased as our customers' expectations and the number of significant contracts have increased.	**Commercial progress**

Trend direction

Increasing Decreasing Unchanged

Principal risks	There is a risk that…	Actions taken by management/mitigations	Change	Link to strategy
Chinese joint venture (JV)	Ceres' potential investment in the proposed Weichai JV does not produce the returns anticipated. Ceres and Weichai do not agree on the scope of the JV, and when set up, it moves away from its business plan either consuming more cash or not giving the returns expected.	We are actively working with Weichai to ensure the ambitions, structure, control and reporting of the JV are aligned to both parties' expectations. Although Ceres will have a minority stake in the JV, contractually Ceres can appoint members of the JV's Board and senior management to help monitor and control the JV.	This risk has increased as we get closer to setting up the JV.	**Commercial progress**
Supplier dependence	Our supply chain partners may be unable or unwilling to co-develop or supply key components into our internal programmes and to support customer scale-up. The supply of key materials to Ceres and our partners is curtailed.	We continue to work closely with our suppliers and partners, putting in place strategic partnerships where appropriate, and reducing the number of key single-source suppliers. We accept the risk for now that some suppliers will be single-source and we buy stock in advance to further mitigate for the short-term. Our technology inherently uses commodity materials and is less reliant on other materials such as rare earths than other SOFCs.	This risk remains important as we have scaled up manufacturing, although we already see our manufacturing partners becoming more active with their considerable supply chain strength.	**Establish Ceres SOFC technology as industry standard**
Insufficient capital	The Company does not have sufficient capital to pursue its strategic goals.	Management regularly reviews the cashflow requirements of the business against the available capital. Ceres raised new equity of £181m in March 2021 to fund the electrolysis opportunity and underpin the core SOFC business.	This risk has reduced following the 2021 fundraise.	**Establish Ceres SOFC technology as industry standard**
Long-term competition and market	The value proposition of our technology may become eroded or it may become irrelevant, impacting on the Group's future profitability and growth opportunities. This is if the perception propagates that Ceres technology only works with hydrocarbons, or if alternate better products come to market.	Ceres is beginning to prove that the technology can make a significant and valuable contribution to a net zero-carbon future, as we show increased confidence in the technology running on hydrogen. Our recent focus is developing the application of the technology as an electrolyser alongside our recently-announced strategy to prove this at a significant level. We address different geographical markets, which we believe will decarbonise at different rates, and we have broadened the applications available, mitigating failure in a single market or product. We monitor competitor activity, diversification of applications and market developments.	The world is changing investment focus towards a zero-carbon future and more away from just reducing emissions and CO_2. We see a climate of changing legislation and trends against fossil fuels emerging, which is both an opportunity and a threat.	**Establish Ceres SOFC technology as industry standard**

Opportunities in green hydrogen

How can we produce pure hydrogen more efficiently to decarbonise carbon-intensive industrial processes?

Hydrogen is set to become the most important energy vector after electricity, forming the basis of many government green policies and incentives. It is already used extensively as a feedstock in chemical processes and can also provide heat to decarbonise the manufacture of steel and cement. Green hydrogen (or derivatives like ammonia or synthetic aviation fuel) can also be used directly as a transport fuel, as an energy store to smooth out intermittency in renewables or even to move energy between countries, connecting renewable supply to demand.

The problem

Today, hydrogen is produced primarily using natural gas or coal, these two sources accounting for over 95% of current production according to the International Energy Agency (IEA). But, the use of fossil fuels creates significant levels of emissions – one tonne of hydrogen creates 10 tonnes of CO_2 from natural gas or 19 tonnes of CO_2 from coal. Most of this waste gas is simply vented into the air.

Industrial processes are some of the hardest areas to decarbonise but converting to hydrogen could be a solution. For example, on average producing one tonne of crude steel currently results in around 1.4 tonnes of direct CO_2 emissions from burning coke or natural gas in blast furnaces. Similarly, in the chemical sector the production of ammonia (mainly for use in fertiliser production) is highly carbon intensive, with the production of one tonne of ammonia creating 2.9 tonnes of CO_2. In total, ammonia synthesis accounts for 1% of global CO_2 emissions.

The key question is how can more efficient, less carbon-intensive technologies be used to decarbonise sectors of industry that are hard to abate using current techniques?

What we are doing

Ceres has recently started its Green Hydrogen programme to investigate whether our core technology can be used to generate pure hydrogen efficiently through electrolysis. Our initial R&D in this area demonstrates that a Ceres fuel cell stack running in reverse enables green hydrogen to be created from water and electricity at an efficiency of over 80%.

Our market research findings suggest that there are significant opportunities in the industrial sectors we highlight above. Ceres technologies offer a differentiated approach to addressing these challenges and the common IP base with our SOFC activities gives us a platform on which to build our SOEC business.

The next stage of our Green Hydrogen programme will be to build a prototype electrolyser to demonstrate production of hydrogen at megawatt scale to potential partners.

Board engagement with stakeholders

Statement by the Directors in performance of their duties in accordance with s172(1) Companies Act 2006

This statement sets out how the Board has had regard to the matters set out in s172(1) Companies Act 2006 ("s172") when performing its duties under s172 for the period ended 31 December 2020.

The Board is responsible for creating long-term sustainable value for the Company's shareholders and it acknowledges it is important to engage with and consider the interests of the Company's wider stakeholders when making decisions. The Directors consider that they have acted in the way that they judge, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they consider that they have borne in mind the interests of key stakeholder groups, identified as being those most likely to be affected by the principal decisions of the Board, which include employees, suppliers and partners and the impact of the Company's operations on the community and environment. The Directors acknowledge the importance of high standards of business conduct.

People throughout the Company, including the Board, engage with and consider the interests of the Company's stakeholders when making decisions (more details can be found on pages 9 and 39). Below we set out the stakeholders that we consider key, the issues that we consider matter to them and how and why we engage with them:

Key issues	How the Board engages	Outcome
Shareholders		
To ensure shareholders understand and have confidence in the Company's strategy and performance, purpose and culture. To build strong relationships with our shareholders and understand the issues that are important to them	– Annual General Meeting – Direct meetings and calls with the Executive Directors and as necessary with the Chairman and Senior Independent Director and through Capital Markets Days – Our website – The Annual Report and results announcements and presentations – Meeting analysts and getting feedback from our brokers – RNS and RNS Reach announcements	– Financial performance and achievement against planned strategy – Board changes and remuneration of Directors – Approved ESG policy and the formation of an ESG Committee – Our culture – Compliance and governance
Employees		
To attract, develop, incentivise and retain the best people to help us achieve our strategy and vision and create a strong and supportive culture	– Attending All Hands meetings and all-employee off-site events – New joiner lunch sessions with CEO – Set up the Ceres Academy to enhance learning and development opportunities – Offer share options to employees	– Our strategy and culture – Strong communications – Opportunities for progression and development – Talent management – Diversity, inclusion and wellbeing – Remuneration and benefits
Suppliers and partners		
To ensure the Company, its partners and our supply chain are aligned to the achievement of the Company's strategy, ensuring all parties understand and benefit. To create an ecosystem which will aid the achievement of our goals	– Through regular engagement across the Company including our commercial operations and technical people. – We have Company representatives in all the countries where our key partners are located	– Our strategy – ESG factors
Wider society		
To generate social and environmental impact, which is part of the Company's core purpose	– Our website – Enhanced ESG reporting within our Annual Report – Public reporting	– Our strategy to develop clean energy for a clean world – Diversity and inclusion

Principal decisions during the period

As stated on page 47, the principal decisions of the Board during the period related to the following:

Principal decision	How the Board considered key stakeholder groups
Approved the contract with AVL as a system partner and collaborator	The Board considered the strategic nature of the relationship and the access to new system partners this relationship should bring and also the impact on our people and its importance on the long-term sustainable value of the Group.
Approved several contracts with Doosan totalling £51 million of revenue	The Board considered the impact of this agreement on our partners and our people particularly and the significant markets it opens up to the Group.
Approved the raising of £49 million capital through the issue of new equity to Bosch and subsequently with Weichai	The Board considered the dilution impact of this transaction on existing shareholders against the strategic value this brings to the Group.

Board approval

The Strategic Report as set out on pages 2 to 39 has been approved by the Board.

On behalf of the Board

Richard Preston
Chief Financial Officer

Chairman's introduction to governance

Warren Finegold
Chairman

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The Board embodies and promotes a corporate culture based on sound ethical values and behaviours from the top down.

No practical or commercial interest overrides the safety and wellbeing of our people.

Ceres is committed to a high standard of corporate governance. As a Company listed on AIM, we apply the updated 2018 Quoted Companies Alliance Corporate Governance Code (the 2018 QCA Code) and its ten principles. How we apply them is described on our website (www.ceres.tech/about-us/corporate-governance/). We are not required to follow the UK Corporate Governance Code (the Code), however we are looking to apply best practice as set out in the Code over the next period. Ceres is subject to the UK City Code on Takeovers and Mergers and is committed to applying the spirit of good corporate governance as envisaged by the Financial Reporting Council (FRC) and in compliance with the 2006 Companies Act.

The Board recognises that it is accountable to the Company's shareholders and effective governance is critical to business integrity. Maintaining investors' trust is essential to support the execution of both the Group's strategy, which is laid out in the Strategic Report, and the long-term sustainable growth of the business.

We set out how the Board discharges its governance responsibilities over the following pages and in the Remuneration Committee and Audit Committee reports.

Corporate values

The Board embodies and promotes a corporate culture based on sound ethical values (as set out on page 6) and behaviours from the top down, and this guides the Group's objectives and strategy. This is disclosed more in the Sustainability section of this report and the Group's ESG policy reflects the Group's values and culture.

Where possible, we look to take these values into our relations with suppliers and customers, compliance and internal controls, employee management, engagement and reward systems, and responsibility to the environment and local community.

Our commitment to health and safety is non-negotiable. No practical or commercial interest is permitted to override the safety and wellbeing of our people and this is reinforced by continuous reviews of our processes and plant, accurate reporting of incidents and "near-misses", and root-cause investigations. Reports are provided to the Executive and Board at every meeting to track incidents and to ensure remedial actions are taken as necessary.

Shareholder communications and engagement

During the period we have seen a significantly greater level of shareholder engagement reflecting wider interest in the sector and in the Group's progress and wider strategy.

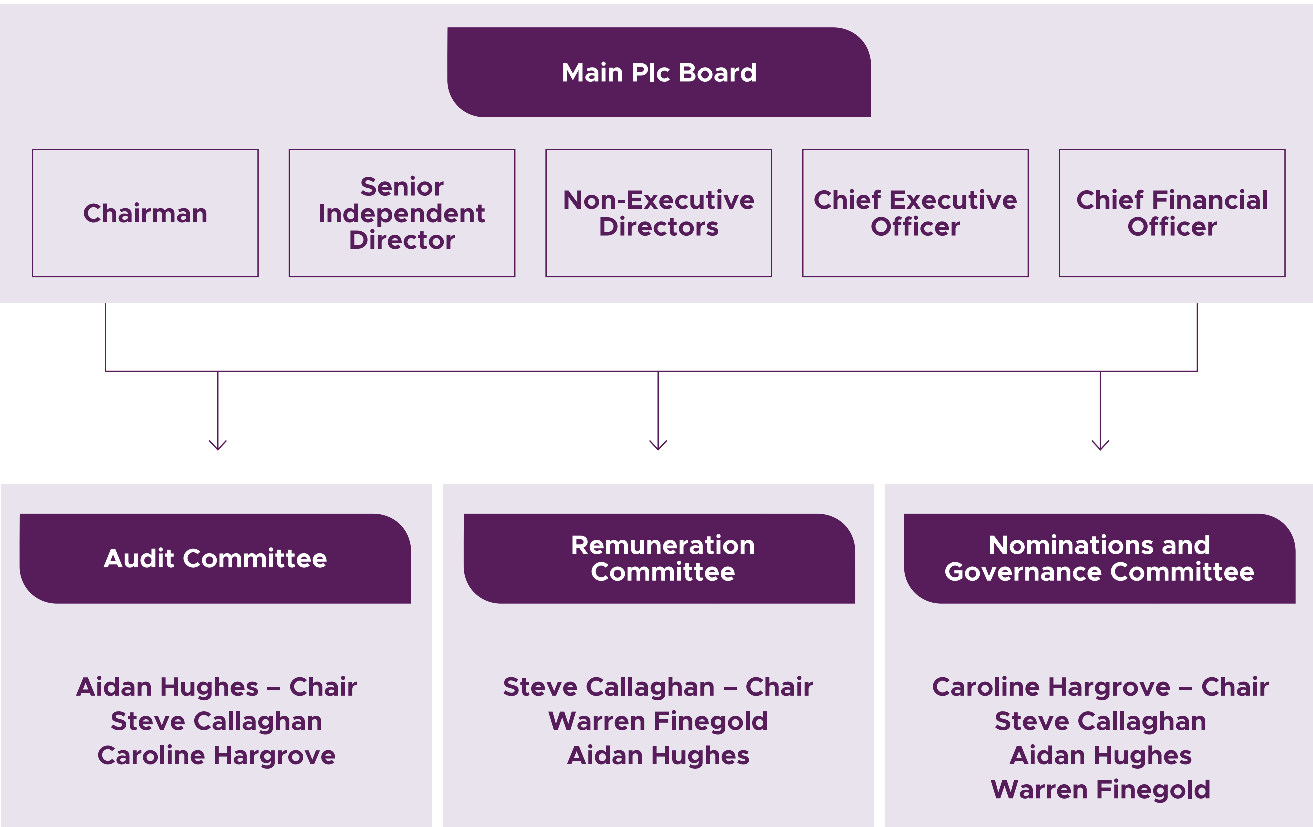
Active relations and communications with our shareholders, and understanding their views, needs, expectations and feedback, are vital to us – as is gaining the shareholders' understanding of the Company's circumstances, plans and constraints.

We regularly communicate with our shareholders through a variety of channels: public announcements and press releases using the London Stock Exchange's Regulatory News Service (RNS), analyst briefings, face-to-face meetings with significant institutional shareholders, capital market events, presentations at investor conferences and press interviews.

We also continually update our website (www.ceres.tech). This is the primary source of information about the Group, giving an overview of activities and detailing all recent announcements, significant developments, presentations and our Annual Reports.

We welcome contact from shareholders to raise any concern or question, and endeavour to offer a response from a Director in person. Investors are encouraged to participate at the Annual General Meeting and any general meetings.

Warren Finegold
Chairman



Board of Directors

Phil Caldwell

Chief Executive Officer

Phil joined the Company in September 2013 as CEO. He was previously Corporate Development Director at Intelligent Energy Limited, a company specialising in PEM fuel cell systems. He led commercial and strategic business development activities including securing OEM partners, executing licence deals and joint ventures. Prior to that role, Phil was responsible for business development for the electrochemical technology business within ICI. He holds a Master's degree in Chemical Engineering from Imperial College, an MBA from IESE Barcelona and is a Sainsbury Management Fellow.

What Phil brings to the Board

Depth of experience commercialising fuel cells across multiple markets and geographies. Successful track record delivering clear strategic goals. Expertise in building strong teams.

Richard Preston

Chief Financial Officer

Richard was appointed Chief Financial Officer at Ceres in February 2013, having joined the Company in 2008 as Group Financial Controller. Prior to joining Ceres he held a number of senior positions in business transformation and project finance at Cable & Wireless. He is a Chartered Accountant and Corporate Treasurer and holds a Master's in Engineering and Management Studies from the University of Cambridge.

What Richard brings to the Board

Business acumen, and the ability to drive and hold the Company to account. Comprehensive understanding of the business. City experience.

Warren Finegold

Chairman

Warren joined the Board as an independent Non-Executive Director in March 2020 and succeeded Alan Aubrey as Chairman in June 2020. He was a member of the Vodafone Group Executive Committee for 10 years, serving principally as Group Strategy and Business Development Director. Previously, he was a Managing Director of UBS Investment Bank, where he held several senior positions, most recently as Head of the Technology Team in Europe. Warren is a Senior Independent Director and Chair of Nominations Committee at Avast plc. He has a M.A. in Philosophy, Politics and Economics from Oxford University and an MBA from London Business School.

What Warren brings to the Board

Significant expertise in global business development, as well as strong Plc Board experience and active knowledge of governance and regulatory matters. Experience in strategy development, capital markets and M&A.

R NG

Steve Callaghan

Senior Independent Director

Steve joined the Company in December 2012 to lead the turnaround and strategy reset phase. He was appointed Senior Independent Director in March 2014. Since 2016, he has been CEO of Northgate Public Services. Prior to joining Ceres Power, Steve held a number of senior executive and CEO positions in both public and private businesses over a period of 20 years. He has a degree in Electrical and Electronic Engineering from Cranfield University.

What Steve brings to the Board

Excellent knowledge of the Company. Business transformation leadership. Track record in delivering successful business performance through commercial rigour and focused execution.

R NG A

R Member of the Remuneration Committee

NG Member of the Nominations and Governance Committee

A Member of the Audit Committee

Caroline Hargrove CBE

Non-Executive Director

Caroline joined the Company in October 2018 and is also the CTO of Zedsen, a start-up developing non-invasive medical sensors for diabetes. Prior to joining Zedsen she was CTO of Babylon Health from 2018 to 2021 and before that a founding member and then CTO of McLaren Applied Technologies. Caroline was a Visiting Professor at Oxford University from 2015 to 2018 and is a Fellow of the Royal Academy of Engineering. She holds a PhD in Applied Mechanics from the University of Cambridge.

What Caroline brings to the Board

Wide-ranging experience in the creation and development of products derived from innovative technology solutions.

NG A

Aidan Hughes

Non-Executive Director

Aidan joined the Company in February 2015 as a Non-Executive Director and Chairman of the Audit Committee. He has over 20 years' senior finance experience in a variety of listed companies, including as Finance Director at Sage Group plc from 1993 to 2000 and as a director of Communisis plc from 2001 to 2004. From 2004 until May 2019 he was a Non-Executive Director of Dialog Semiconductors plc, where he chaired its Audit Committee for much of his tenure. He is also an investor and adviser to a number of international private technology companies. Aidan is a Fellow of the Institute of Chartered Accountants in England and Wales.

What Aidan brings to the Board

Extensive experience working within listed companies. Strong credentials in corporate governance and risk management.

R NG A

Qinggui Hao

Non-Executive Director

Qinggui joined Ceres in June 2020 and is the Weichai-nominated Non-Executive Director as part of the strategic collaboration agreement with Weichai Power. He is the Investment Director of Shandong Heavy Industry Group Co., Ltd., the parent of Weichai Power. Qinggui joined Weichai in 2004 and held various positions across the business including Linde Hydraulics GmbH & K.G., as Deputy General Manager of Weichai Power (Luxembourg) Holding S.àr.l., and as Secretary of the Board and Director of the capital operation department of Weichai Power Co., Ltd. He holds dual Bachelor degrees in Law and Economics.

What Qinggui brings to the Board

Strengthens Ceres' relationship with Weichai and guides Ceres' technologies in the important Chinese market.

Uwe Glock

Non-Executive Director

Uwe joined Ceres in June 2020 following the relationship agreement signed with Robert Bosch GmbH and is the Bosch-nominated Non-Executive Director. He is the Chairman of the Board of Management of Bosch Thermotechnik GmbH and brings 35 years of experience from across Bosch. Uwe holds a leading position in the wider German and European energy and building industry and is currently President of the German Heating Association (BDH) and Vice President of the German Building Technology Association (VdZ). Uwe completed his Study of Business Administration at the Business Management Academy Stuttgart.

What Uwe brings to the Board

Brings over 35 years of experience from across the Bosch business, latterly from 13 years in the Bosch Thermotechnik division. Ceres benefits from Uwe's leading role in the wider German and European energy and building industry.

Executive team

Phil Caldwell and Richard Preston are also members of the Executive team. To read their biographies please see the Board of Directors on page 42. The Executive team also consists of:

Mark Garrett

Chief Operating Officer

Mark joined Ceres in 2020. Prior to this he was at Ricardo plc for 22 years holding a variety of leadership positions including Chief Operating and Chief Strategy Officer roles. Mark is Non-Executive Chairman of SBD Automotive Limited, an automotive sector consultancy and is a Fellow of the Institution of Mechanical Engineers and the Royal Academy of Engineering.

What Mark brings to the team

Mark has considerable experience in bringing new products to market, operational performance and IP-based innovation in the transport and energy sectors.

Dr Mark Selby

Chief Technology Officer

Mark joined Ceres in 2006 and is responsible for leading all aspects of the strategy and delivery of our SOFC technology development. Prior to joining Ceres, he was a team member of the Control & Electronics Department at Ricardo UK Limited. Mark holds degrees in Electronics, Dynamics and Control Systems.

What Mark brings to the team

Unrivalled knowledge of the Ceres technology and system architecture. Hands-on and inspiring leadership.

Michelle Traynor

People Director

Michelle joined Ceres in 2019 and is responsible for all aspects of the people strategy to support the ongoing growth of the business. With over 20 years' experience gained across technology, manufacturing and professional services, her skillset encompasses all aspects of HR and expands beyond this into wider business operations. Prior to Ceres, she was Chief Operating Officer for ASB Law, having initially joined as Head of Human Resources and Development. Michelle is a chartered member of the CIPD and holds a Masters degree in Personnel Management.

What Michelle brings to the team

Team player approach with a passion to unlock and harness the power of people, blended with a calm, pragmatic can-do attitude.

Tony Cochrane

Chief Commercial Officer

Tony joined Ceres in August 2015. Previously, he was at Ballard Power Systems for 17 years, where he held leadership positions in manufacturing, product engineering, technology strategy and strategic marketing. Most recently Tony was Commercial Director for Dantherm Power A/S and Director of Product Line Management at Ballard, where he built the stationary power business globally. Tony is a registered professional engineer and holds a BSCE in Mechanical Engineering.

What Tony brings to the team

A successful commercialisation record and a deep-set knowledge of the fuel cell industry. Extensive licensing experience in Asia, Europe and North America.

Clarissa de Jager

General Counsel and Director Intellectual Property

Clarissa joined in 2018, bringing over 25 years of commercial legal experience, having worked in transport and new energy at Ricardo, medical technology at Elekta with Philips, and logistics and distribution at Royal Mail. Clarissa also chairs the Ceres Power Intellectual Property Company board.

What Clarissa brings to the team

A blend of commercial legal and IP skill sets and a proven track record in innovation, technology, change and transformation management, and IP strategy.

Geraint Castleton-White

Chief Programmes Officer

Geraint joined Ceres as Chief Programmes Officer in 2021 and has been working in an interim role for Ceres since 2018. He started his career as a graduate apprentice at Ford Motor Company and has subsequently worked for established OEMs and early start-ups, including Lotus, Cosworth and TWR. He has an honours degree in Mechanical Engineering from Southampton University and is a Chartered Engineer and Fellow of the IMechE.

What Geraint brings to the team

Geraint brings Ceres a wealth of project and operational management experience in manufacturing and technology development, both in early start-ups and large established OEMs.

Corporate governance report

Ceres prides itself on sound corporate governance, providing stakeholders with accurate disclosure and appropriate levels of transparency across all aspects of our business.

The Board of Directors

Board roles and responsibilities

The Board is responsible for setting the vision and strategy for the Company to deliver value to its shareholders through implementing its business plan. The Board recognises that this includes ensuring that necessary resources are in place, performance against key indicators is monitored, planning for Board and senior management succession, overseeing risk management, setting governance values, and helping to embed the Group's purpose, culture and values.

The Directors are responsible for promoting the long-term success of the Group, taking into account the interests of shareholders and all relevant stakeholders. All Board members share collective responsibility for corporate governance arrangements, bearing in mind the separate roles as Executive Directors and Non-Executive Directors. The Non-Executive Directors are responsible for constructively challenging and contributing to proposals on strategy, scrutinising the performance of management and determining levels of remuneration. They must also satisfy themselves of the integrity of financial information and that appropriate financial controls and risk management systems are in place. The Board's powers and obligations are governed by the UK Companies Act 2006.

Composition of the Board

At 31 December 2020 and at the date of signing these accounts, the Board comprised eight Directors: the Non-Executive Chairman, the Senior Independent Director, four other Non-Executive Directors, the Chief Executive Officer and the Chief Financial Officer. Biographical information for each Director and their contribution to the business is set out on pages 42 to 43.

There were several changes to the Board in the period:

Warren Finegold was appointed as an independent Non-Executive Director on 1 March 2020 and subsequently as Company Chairman on 11 June 2020 as Alan Aubrey stepped down from the role he had held since 2012. Uwe Glock joined the Board as the nominee of Robert Bosch GmbH and Qinggui Hao replaced Dr Haoran Hu as Weichai's nominee, both changes taking effect on 17 June 2020. In line with Board succession planning Alan Aubrey and Robert Trezona, who were appointed onto the Board in 2012, both rotated off the Board in September 2020. Robert Trezona retains his role as a member of the Technical and Operations Committee, which reports into the Executive.

Independence of Non-Executive Directors

The Board considers that Warren Finegold, Steve Callaghan, Aidan Hughes and Caroline Hargrove are independent in accordance with the recommendations of the QCA Code and are independent of management and free of any relationship or circumstance which could materially influence or interfere with, or affect, or appear to affect, the exercise of their independent judgement.

It is the opinion of the Board that Mr Glock and Mr Hao were not independent during the period to 31st December 2020 according to the QCA Code as they are nominees of Bosch and Weichai Power respectively.

Although the Board believes that it has sufficient independent Non-Executive Directors of good standing and judgement to balance the Board, and for it to be considered effective, the Board will consider appointing further independent Non-Executive Directors as appropriate in due course.

The Non-Executive Directors do not participate in any of the Company pension or bonus arrangements, and they do not receive any remuneration from the Company other than Directors' fees and reimbursement of expenses.

The roles of the Chairman and the Chief Executive Officer

There is a clear division of responsibilities between the Chair and Chief Executive Officer, details of which can be found on our website. The Chief Executive Officer and Chairman have a very good working relationship, speaking regularly outside of scheduled Board meetings to discuss strategy and performance, and, with the Company Secretary, to ensure that Board meetings cover relevant matters. This relationship and regular dialogue helps to underpin the working of the Board, providing a forum in which matters are discussed openly and robustly.

Board support

All Directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings. Newly appointed Directors are made aware of their responsibilities through the Company Secretary and the Company's Nominated Advisor. The Company offers formal training of new Directors as necessary and provides an induction into the Group in all relevant areas. Directors can attend ad hoc training, seminars and/or conferences relevant to their specific skills, professional qualifications and roles within the Board. All members of the Board have access to appropriate professional development courses to support them in meeting their obligations and duties. They also receive ongoing briefings on current developments, including updates on governance and regulatory issues.

Conflicts of interest

Under the Company's Articles of Association, the Board has the authority to manage and approve any conflicts or potential conflicts of interest of Directors. During the period, on the recommendation of the Nominations and Governance Committee, certain Board meetings were only attended by independent Non-Executive Directors and Executive Directors in order to deal with matters concerning potential conflicts of interest relating to non-independent members of the Board.

Schedule of matters

The Board's responsibilities are set out in more detail in the "Schedule of matters reserved for the Board" which is available on the Company's website and which was reviewed by the Board in 2020. It includes considering and developing Group strategy against progress; setting annual operating budgets and approving major expenditure; approval of financial results; changes in Board composition; acquisitions and disposals; significant IP-related contracts; capital structure and approval of raising of new equity and share schemes; treasury policy; dividends; material litigation and various statutory and regulatory approvals.

Apart from the schedule of matters, the Board has delegated other matters and the management of the Group's operations to the Executive team.

Board effectiveness

External Board reviews usually take place every three years, internal reviews are held regularly, and the Directors monitor the Board's performance on an ongoing basis. In 2020 the Board decided to defer the external Board effectiveness review to 2021, to enable the Board to bed down due to the several changes to it in 2020. Nevertheless, it has conducted an internal review which concluded that Warren Finegold, the new Chairman, provides strong and purposeful leadership with a focus on further improving governance and, further, that the Board has the right balance of skills, experience and independence to evolve the Company's strategy and that it works effectively as a team.

The Board expects to meet formally at least six times a year while the Executive Board meets monthly. The Board received updates on AIM rules and other governance, regulatory and financial matters as published during the period.

The Board and Non-Executive Directors make a point of visiting the two Company sites in Horsham and Redhill regularly, although this has not been possible in 2020 due to the pandemic. The Executive Team joins the Board for the strategy meetings and from 2021 will individually update the Board on their areas of responsibility. The Board tracks progress against KPIs, and identifies potential risks and issues to ensure that the Company meets its strategic goals and maximises shareholder value.

The Board's Committees also regularly carry out their own internal evaluations, and in this reporting period confirmed that their respective compositions, skills and experience are still considered appropriate and effective. During these evaluations Caroline Hargrove was appointed as Chair of the Nominations and Governance Committee, and Warren Finegold joined the Nominations and Governance Committee and the Remuneration Committee. The membership and key activities of each Committee are set out later in this governance report.

Key areas of focus in the period and since the period end

During the 18-month period the Board met formally on 11 occasions, attended two two-day strategy meetings and undertook several conference calls to cover matters which included those shown below.

The Chief Executive Officer, Chief Financial Officer and Company Secretary are responsible for keeping the Board advised of significant developments, and the Board receives papers prior to Board meetings to enable constructive discussion.

Principal decisions

- Approved the contract with AVL List as a systems partner and collaborator
- Approved several contracts with Doosan totalling £51 million of revenue
- Approved the raising of £49 million capital through the issue of new equity to Bosch and subsequently with Weichai

Board and Committees

- Approved the appointments of Warren Finegold, Uwe Glock and Qinggui Hao as Non-Executive Directors
- Approved the appointment of Warren Finegold as Chairman of the Board and as a member of the Remuneration and Nominations and Governance Committees
- Approved revising the annual fees of the Chairman and Chairs of the major Committees to be in line with the AIM 100

Strategy and risk

- Agreed to strategically invest in using the technology as an electrolyser and to launch the technology into the market as soon as practicable, and subsequent to the period end considered and approved a related funding plan
- Agreed to enable growth into new fuel cell markets such as higher power and future fuels
- Approved the change in brand and related messaging to promote the Company's culture and values more effectively
- Considered the Group's China JV strategy
- Considered and approved the expansion of the Redhill manufacturing site to 290k cells/year to come online in 2021
- Reviewed risks to the business including emerging and macro risks and their mitigations

Corporate governance

- Reviewed and approved an ESG policy and the formation of the non-Board ESG Committee, chaired by the Chief Executive Officer
- Considered the pros and cons of moving the Company from its current listing on AIM to a primary listing on the London Stock Exchange Main Market
- Agreed to change the accounting reference date from 30 June to 31 December
- Considered and approved a change of Articles for approval at the December 2020 AGM
- Approved revised terms of reference of the three main subcommittees of the Board
- Considered and undertook an internal evaluation of the Board subsequent to the period end

Director appointments and rotation

Directors are subject to election by shareholders at the first Annual General Meeting (AGM) following their initial appointment, and at each AGM at least one third of the Directors retire by rotation and put themselves forward for re-election. As the Senior Independent Director, Steve Callaghan offers himself up for re-election annually to ensure that shareholders are comfortable with his being on the Board.

Non-Executive Directors are appointed for an initial three-year term which is subject to renewal. Renewals of terms for a Non-Executive Director take into account ongoing performance, continuing independence and the needs and balance of the Board as a whole. Where it is in the Company's interests to do so, Non-Executive Director appointments can be extended beyond the best practice period of nine years with the approval of the Nominations and Governance Committee, the Board and the individual Director concerned.

Steve Callaghan, Aidan Hughes and Phil Caldwell will stand for re-election at the 2021 AGM. Their biographies and contribution to the business are set out on pages 42 to 43.

The Company reviews annually the level of Directors' and Officers' liability insurance cover required.

Committees of the Board

The Board delegates certain items of business to its Committees. At the period end, these were the Audit Committee, Remuneration Committee and Nominations and Governance Committee. The Technical and Operations Committee, which reports into the Executive Board, provides a summary at each Board meeting. Each Board Committee operates under clear terms of reference, which are available on the Company's website.

Each Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties. It can also obtain outside legal or other professional advice on any matter within its terms of reference. Each of these Committees meets on a regular basis throughout the year as appropriate, and each is accountable to the Board. Each Committee regularly reviews its own performance, constitution and terms of reference to ensure it is operating effectively and recommends any changes it considers necessary to the Board for approval.

The Audit Committee and the Remuneration Committee have prepared separate reports as set out on pages 50 to 58.

Board attendance

The attendance of members of the Board and Committees at scheduled Board and Committee meetings during the period is shown in the table below. There were further ad hoc meetings when required.

Committee	Main plc Board	Audit Committee	Remuneration Committee	Noms and Gov Committee
Meetings held in the period	11	6	6	4
Executive Directors				
Phil Caldwell	11	n/a	n/a	n/a
Richard Preston	11	n/a	n/a	n/a
Non-Executive Directors				
Alan Aubrey[1]	8	n/a	4	1
Steve Callaghan	11	6	6	4
Qinggui Hau[1]	4	n/a	n/a	n/a
Caroline Hargrove	11	6	n/a	4
Haoran Hu[1]	2	3	n/a	n/a
Aidan Hughes	11	6	6	4
Warren Finegold[1]	5	n/a	2	3
Uwe Glock[1]	5	n/a	n/a	n/a
Rob Trezona[1]	8	n/a	n/a	n/a

1. Alan Aubrey, Qinggui Hau, Haoran Hu, Warren Finegold, Uwe Glock and Rob Trezona attended all their available meetings during the period.

In addition, other members of the Executive team and other senior management are invited to Board and Committee meetings as appropriate.

Nominations and Governance Committee

During the period, the members of the Committee were Caroline Hargrove, who was appointed as Chair of the Committee part-way through the period, Steve Callaghan, Aidan Hughes, and Warren Finegold who joined the Committee in September 2020.

The Board has appointed the Nominations and Governance Committee to oversee the composition of the Board and Committees, as well as senior executive recruitment and succession planning.

The Committee's main responsibilities include:

- regularly reviewing the structure, size and composition required of the Board and to make recommendations to the Board regarding any changes, considering succession planning for Directors and other senior executives and the independence of its members;
- identifying and nominating potential candidates for new Board positions, the role of the Senior Non-Executive Director and members of the Board Committees, for approval of the Board;
- making recommendations to the Board for the reappointment of Non-Executive Directors; and
- monitoring trends and best practice in corporate governance, reviewing Ceres' own corporate governance policies and procedures, and making recommendations for changes to the Board.

The Board remains mindful of the need to have the right diversity and balance on the Board, as it does across our employee base as a whole.

During the year, the Nominations and Governance Committee identified and nominated Warren Finegold as Non-Executive Director and his subsequent appointment as Chair of the Board, considered the transition of Alan Aubrey and Robert Trezona from the Board, the desirability of appointing additional independent Non-Executive Directors and reviewed the Executive and senior management succession planning strategy. The Committee also considered how to manage potential conflicts of interest relating to non-independent members of the Board and recommended ad hoc separate Board meetings at which non-independent members of the Board would not be present.

Internal controls and risks

The Group and the implementation of its strategy are subject to a number of key risks and uncertainties. The Board collectively identifies and evaluates these risks. It has a framework for reviewing and assessing risk, and taking mitigating actions, which is laid out, alongside the key risks and uncertainties of the Group, on pages 33 to 35.

The Audit Committee is responsible for oversight of the Group's system of internal financial controls, although the full Board acknowledges its responsibility for establishing and maintaining them. These are designed to safeguard the assets of the Group, and to ensure the reliability of financial information, for both internal and external use. The Board approves annual operating budgets bi-annually and reviews performance against budgets at each formal meeting.

It is understood that any system of internal control can only provide reasonable, and not absolute, assurance that material financial irregularities will be detected, or that risk of failure to achieve business objectives is eliminated.

The Directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the systems of internal control operated effectively throughout the financial year and up to the date that the financial statements were signed.

As the Group has progressed and grown it now considers it appropriate to put in place an internal audit function and will be doing so during 2021.

Articles of Association

The Articles were amended at the December 2020 AGM to allow more flexibility on the location and form of future General Meetings in case physical meetings are not possible, for instance due the continuing pandemic. It is the Board's intention to comply with best practice for future General Meetings and virtual-only meetings will only be held in exceptional circumstances.

AGM

Due to the expected continued restrictions related to Covid-19, we expect Ceres Power's AGM will be held virtually by webinar on 17 June 2021, in line with current best practice for virtual AGMs. The Board proposes separate resolutions for each issue and proxy forms allow shareholders to vote for or against, or to withhold their vote on each resolution. The results of all proxy voting are published on the Group's website after the meeting and declared at the meeting itself to those shareholders who attend. Despite the restrictions, I expect we will give shareholders the opportunity to engage and ask the Board questions about the Group's activities.

Audit committee report

Chair's overview

The Audit Committee plays a central role in the review of the Group's financial reporting, risk review and internal control processes. As a Committee, our role is to assist the Board in its oversight of the financial stewardship of the Group. The Audit Committee also takes specific responsibility for considering certain key areas of risk management and supports the Board's role in overseeing an enterprise-wide approach to risk identification, management and mitigation. The Committee considered the risks and potential impact of Brexit and these were not considered key risks to the business. The implications of the Covid-19 pandemic were considered directly by the Board. The Audit Committee has met six times during the period.

Committee membership

The Audit Committee is composed entirely of Non-Executive Directors and is chaired by Aidan Hughes. Steve Callaghan and Caroline Hargrove have been members for the whole period, while Haoran Hu stepped down from the Committee when he left the Board on 17 June 2020.

The Committee is considered to have sufficient, recent and relevant financial experience and competence to discharge its responsibilities. Aidan Hughes, who has served as Non-Executive Director and Chair of the Committee since 2015, has significant senior financial experience, which is further detailed in his biography on page 43.

Responsibilities

The Audit Committee's role is to assist the Board in its oversight of the financial stewardship of the Group. It is responsible for ensuring the effective financial integrity of the Group through the regular review of its financial processes and performance, and by remaining up to date with the latest regulatory changes and evolution of best practice. Alongside the non-Board Technical and Operations Committee, it is also responsible for ensuring that the Group has appropriate risk management and internal controls, and that external audit processes are robust.

At the invitation of the Committee, its meetings are attended by the external auditor, the Chief Executive Officer, the Chief Financial Officer and others (including the Company Chairman) as appropriate. The Committee meets with the external auditor on a regular basis without the Executive Directors being present.

The Audit Committee's main responsibilities include:

- to satisfy itself as to the integrity of the financial statements and other formal announcements relating to the Group's financial performance, ensuring compliance with applicable accounting standards, regulations and rules;
- to monitor and review the effectiveness of the Group's internal financial controls and risk management policies and systems (noting the non-Board Technical and Operations Committee's responsibility relating to technical, operational, business continuity and health and safety-related risks);
- to monitor and review the going concern status of the Group;
- to satisfy itself of the independence and effectiveness of the external auditor, and to make recommendations to the Board in relation to the appointment and remuneration of the external auditor, and the policy relating to their non-audit services;
- to consider the need for an internal audit function; and
- to consider the Group's whistleblowing procedures to ensure that employees are able to raise concerns, in confidence, about possible wrongdoing or malpractice.

Significant financial reporting matters

During the 18-month period, the Committee received and considered reports from the Chief Financial Officer in respect of the Group's critical accounting estimates and judgements and subsequently approved the disclosure set out in Note 1 to the Group's financial statements.

The Committee considered the following significant financial reporting matters, estimates and judgements, amongst others, when approving the Group financial statements for the 18 months ended 31 December 2020:

Change of period end

It was considered appropriate at this stage of the Company's development to move to a calendar-based period reporting and hence the current reporting period was extended to 31 December 2020. The Committee considered the benefits of having reporting periods consistent with peer group companies and the benefit to shareholders that would bring. In addition, the Audit Committee satisfied itself that the interim reporting of 6-monthly results would give shareholders sufficient information to maintain their understanding of the financial performance of the Company. This Report therefore contains information for the 18-months accounting period to 31 December 2020 as well as supplementary information for the 12-months ended 31 December 2020.

Consideration of the risks and impact of Brexit

During the period, the Audit Committee considered the risks to the Group that may have resulted in the event of a hard Brexit, and reviewed management's plans to mitigate these risks. The Committee was satisfied with management's approach to reducing these risks. Following the Brexit deal in December 2020, the Committee remains satisfied that the risks to the Group as a result of the new trading terms with the EU are small.

Revenue recognition in respect of existing and new customer contracts

During the 18-month period, the Group recognised revenue of £31.7 million (12 months ended 30 June 2019: £15.3 million) relating to commercial/development contracts with customers. Further details are set out in Note 3 to the Group financial statements.

The Group's material contracts generally involve the provision of a number of services typically including engineering services, access to or sale of technology hardware and licences. Significant judgement is required in allocating revenue between and valuing the different services provided. The Audit Committee has reviewed the judgements and estimates applied by management during the period when accounting for revenue recognition and has determined them to be appropriate.

In particular, during the period, the Committee has reviewed management's judgements applied to recognising revenue for the new Doosan contract, signed in November 2020. The Committee considered input from the external auditor and following discussions in Committee meetings, considers management's treatment to be appropriate.

Intangible assets (capitalised development costs)

During the year ended 30 June 2019, following the successful agreement of contracts with Robert Bosch and Weichai Power in September and December 2018 respectively, the Group began capitalising development costs as internally generated assets in accordance with IAS 38. Since then the Group has reviewed and assessed all customer and internal development programme expenditure to ascertain whether it is appropriate to capitalise development costs under IAS 38.

The assessment process requires significant judgement to be applied by management in respect of identifying whether a particular project has passed the relevant milestone gate to begin capitalisation, confirming when development activities are completed and therefore ceasing capitalisation of costs, and in assessing appropriate periods of amortisation.

The Audit Committee has reviewed and agreed the Group's accounting policy with respect to the capitalisation of development costs, as set out in Note 11 of the Group's financial statements. The Committee has reviewed management reports summarising the treatment of capitalised costs during the period, together with reviewing reporting from the external auditors on the subject, and is satisfied that the accounting treatment and disclosure of capitalised development costs is appropriate. Further details setting out the accounting policies relating to capitalised development costs and the amounts capitalised during the period are provided in Note 11 to the Group financial statements.

Provisions relating to warranty and dilapidations

As at 31 December 2020, the Group held provisions of £1.6 million for property dilapidations and £0.4 million for warranties. The Committee reviewed the approach for assessing these provisions with management, noting that professional advisors contributed to the assessment of the dilapidations provision. The warranty provision consists of a mix of contractual and constructive obligations and the Committee reviewed management's assessment of provision, which was based on past performance, customer expectations and a weighting of outcomes.

Valuation of inventory

As at 31 December 2020, the Group held £2.1 million of inventory, primarily relating to raw materials and finished goods. During the year, the Committee reviewed reports from, and held discussions with, both management and the Group's external auditors to consider the Group's processes in relation to processing, counting and reporting inventory.

The valuation of inventory requires certain judgements and estimates to be made in respect of future expectations of yield and classification. The Audit Committee has reviewed these judgements and estimates and is satisfied that the valuation of inventory as at 31 December 2020 is appropriate. Further details around inventory are set out in Note 13 to the Group financial statements.

Risk management and internal controls

The Committee has monitored the Group's risk management processes, including reviewing the Group-wide risk register and reviewing and reporting on the effectiveness of the Group's internal controls. The Audit Committee is also responsible for oversight of the Group's system of internal controls, which the Committee discharges alongside the non-Board Technical and Operations Committee. The Committee makes recommendations to the Board in relation to risk management and internal control matters. The Committee also reviews the Group's policies and procedures in relation to ethics, whistleblowing and the prevention of fraud and bribery.

During the 18-month period, the Committee has considered the Group's wider internal control environment and the need for an internal audit function and has decided to introduce such an internal audit function during 2021.

The Finance team has increased the level of internal controls testing for both sample sizes and coverage of different areas, and the recruitment of a dedicated internal audit resource is under way.

Whistleblowing

The Group is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner taking into account the requirements of customers, employees and wider stakeholders. The Company operates an independent whistleblowing service to allow employees to raise concerns – in a constructive way and without fear of recrimination. In accordance with a clearly documented procedure, all reports go to the Company Secretary and Senior Independent Director and are investigated independently. During the 18-month period ended 31 December 2020 there were no whistleblowing reports.

External audit

External auditor

Following an audit tender process carried out during 2019, BDO LLP were appointed as the Group's new external auditor for the 18-month period to 31 December 2020. BDO were subsequently re-appointed at the following AGM held in December 2020, to hold office until the 2021 AGM. Nick Poulter is the lead audit partner.

During the 18-month period, the Committee reviewed BDO's audit plan including the scope to be undertaken as well as their reports on external audit findings, with particular focus on the areas set out above.

Effectiveness of the external audit process and independence and objectivity of the external auditor

The Committee also assessed the effectiveness of the external auditor, BDO LLP, and was satisfied that the advice the Company received has been objective and independent. The Audit Committee has put in place, and regularly reviews, a policy on external auditor independence to ensure objectivity and independence is safe-guarded. BDO have been assessed as independent and, not including fees committed prior to their appointment as auditor, in accordance with the UK Audit regulation, have non-audit fees not exceeding the 70% cap set out in the policy.

Non-audit services

Audit and non-audit fees paid to BDO during the year are disclosed in Note 3 to the financial statements in this Annual Report. Non-audit fees for the 18-months ended 31 December 2020 were 48% (12 months ended 30 June 2019: 27%) of audit fees and primarily consisted of audit-related assurance services in relation to the interim financial results and tax-related services in relation to employment tax and R&D tax credit advice, as well as valuation services in respect of intellectual property for taxation purposes and the provision of customs training for the Group's employees. £91,700 of these fees were committed to prior to BDO LLP being appointed as the Group's auditor. The Audit Committee has considered the independence of BDO prior to their appointment as auditors and the impact of the services previously provided and those contracted at the point of appointment. The Audit Committee are satisfied that the relevant safeguards are in place to ensure the auditors remain independent and from with the changes to the ethical standard from the 15 December 2020, BDO is only permitted to provide services that are included in the FRC ethical standard 'white list'.

Aidan Hughes
Chair of the Audit Committee

Remuneration committee report

Dear fellow shareholder,

The Remuneration Committee (the Committee) ensures remuneration arrangements for the Group's Executive Directors and Group employees are aligned to the execution of Group strategy, and effective risk management, for the medium to long term. The Committee does so within the agreed terms of reference, taking into account the views of shareholders.

The Committee, chaired by Steve Callaghan, is currently exclusively composed of independent Non-Executive Directors. During the period the Committee comprised Steve Callaghan, Aidan Hughes, Alan Aubrey (until his retirement from the Board and the Committee in September 2020) and Warren Finegold from September 2020. The Chief Executive Officer, Chief Financial Officer and Company Secretary are invited to attend meetings where appropriate. The Committee usually meets three times annually, and in the past 18 months met six times; each member was able to give 100% attendance.

The Remuneration Committee report is split into the following three sections:

– a summary of the work completed by the Committee in the period;
– the Remuneration Policy report (the Policy) which sets out the Group's approach to Directors' remuneration; and
– the Annual Report on Remuneration which sets out the remuneration paid to Directors in the period.

We expand on each of these areas below.

Annual statement summarising the work of the Remuneration Committee

During the year the Committee's key activities included:

– Benchmarking and agreeing revised executive remuneration packages to reflect the growth of the Group and agreeing a staged increase in total remuneration;
– reviewing and agreeing individual attainment and the achievement against performance targets for annual/short-term bonuses and Long Term Incentive Plan (LTIP) awards;
– considering and agreeing the annual Group-wide salary increase;
– considering and selecting key performance targets and thresholds for the forthcoming financial year;
– agreeing the targets for LTIP awards granted during the period;
– considering dilution effects of share option schemes short, medium and long term;
– reviewing terms of reference for the Committee; and
– agreeing to grant Sharesave shares available to all employees.

Remuneration policy report

The remuneration policy of the Group is to:

– provide a suitable remuneration package to attract, motivate and retain Executive Directors and the wider Executive team who will run the Group successfully; and
– ensure that all long-term incentive schemes for the Directors are consistent with the shareholders' interests.

No Director or senior manager is involved in any decisions about their own remuneration. The Committee is, however, responsible for making recommendations to the Directors on matters relating to the Group's remuneration structure, including pension rights, the policy on compensation for Executive Directors and their terms of employment. In order to achieve the overall aim of attracting and retaining high-quality people, the Committee has continued to provide a suitable balance of short-term and long-term incentives.

Remuneration policy for Executive Directors

Remuneration packages are reviewed annually on the basis of market comparisons with positions of similar responsibility and scope in comparable industries. In 2020 the Committee engaged its advisor Mercer to review the remuneration packages for the senior executives in the context of the Group's significant continued growth and increase in market capitalisation over the last five years. Based on a review of remuneration packages of the Company's peer group, it agreed to revise overall packages for the senior executives for the next two calendar years and phased over this period and these are described below in the relevant sections.

The policy for Executive Directors is to continue to pay base salary with an annual performance-related bonus. The Group also awards performance share plan (PSP) shares to the Executive team and others to create a Long Term Incentive Plan (LTIP). These performance shares are linked to key performance indicators and structured to align corporate and individual performance to the long-term success of the Group. Our policy aims to reward executives in the upper quartile of their peer group in benchmarked companies, subject to them achieving performance measures for annual bonus and LTIP attainment. For salary awards our policy is to reward at or around the median level for peer group companies thereby ensuring the talent is attracted and retained, and that Executives are appropriately incentivised to perform.

The Remuneration Policy therefore provides a summary of each element of remuneration for the Executive Directors with an explanation of its purpose, link to strategy, its operation, maximum opportunity and the performance measures.

Executive Directors – short-term incentives

Base salary

Base salary is based on a number of factors, including market rates, benchmarking to peers, as well as the individual Director's experience, responsibilities and performance. Individual salaries are subject to annual review. Salaries for FY2021 were put in place in November 2020 and have been set at £280,000 for the CEO and £225,000 for the CFO, being increases of 24% and 41% from £226,600 and £160,000 respectively. It also agreed a further increase in the CEO's salary to £300,000, taking effect from January 2022.

Performance-related annual bonus

The purpose of this annual bonus is to incentivise the Executive Directors, members of the Executive team and senior management to deliver strategic and financial success, as well as long-term growth to the benefit of the Group and its shareholders.

Measures and targets for the annual bonus for the Executive Directors and team are set annually by the Committee. The annual bonus plan is awarded against achieving both corporate and individual performance targets and is paid in cash. Typically, the majority of the bonus will be based on a balanced scorecard reflecting delivery against key customer programmes, commercial, technical, operational and financial targets. The Committee therefore varies the specific measures and targets each year where required to ensure that they reflect the key financial and strategic priorities (KPIs) for the Group in a given year. The Committee has discretion to adjust formulaic outcomes to reflect business or individual performance or other appropriate reasons.

For FY2020, the recommended maximum bonus available as a percentage of base salary is 100% for the CEO and 40% for the CFO.

Because of the change in year-end date from 30 June to 31 December, it was determined that the bonus awarded for the 18-month period to 31 December 2020 would be based on annual salary and the performance targets for the year to 30 June 2020. The Committee reviewed individuals' achievements against their targets for the period and determined that the actual bonuses awarded were 84% of the maximum award for the CEO (£190,000) and 100% of the maximum award for the CFO (£64,000); this equates to equivalent bonuses of 55% and 26% of their respective base salaries for the full 18-month period (2019: 86.4% for the CEO and 85% for the CFO). The performance targets achieved included the extensive licence agreement with Doosan.

In line with the realignment of remuneration as described above, for 2021 onwards the Committee has revised the recommended maximum bonus available as a percentage of base salary to 150% for the CEO and 100% for the CFO.

Pension and other benefits

All Executive Directors, along with other employees, are eligible to participate in the Group's pension scheme, where they receive a pension contribution from the Group of up to 8% of salary, together with employer's National Insurance saved on employee pension contributions. This complies with legal requirements, with both the employee and employer making contributions under automatic enrolment provisions. All employees also benefit from life assurance of four times salary.

Executive Directors – long-term incentives

Long Term Incentive Plan (LTIP)

The purpose of the LTIP is to provide a long-term performance and retention incentive, linking long-term share rewards to the creation of long-term sustainable shareholder value by delivering on the Group's agreed strategic objectives.

The LTIP was established in 2016 and the Remuneration Committee has awarded LTIP share options to the Executive Directors, Executive team and other employees every year since then and actively considers further LTIP awards on an annual basis. The Chair of the Committee seeks feedback from the largest financial investors prior to the award of LTIP options, offering himself for conversations as required. During 2019 and 2020 the Committee expanded the number of employees participating and due to the change of year end in 2020, LTIP awards in 2020 were granted for the three-year period ending 31 December 2023.

During 2020 for the Executive team, the Committee also revised the percentage of base salary on which the maximum number of shares awarded under the scheme is based. In 2020 the maximum value of LTIP shares awarded to the CEO was 250% of base salary and 150% for the CFO (2019: 125% and 100% respectively). Details of the LTIP options awarded in the period are in the share option tables on pages 56 and 57.

Performance targets are aligned to the Group's strategic plan and are measured over a period of three years. For LTIP options awarded since 2019, specific targets vary from year to year in line with strategic priorities and performance metrics have been based on absolute total shareholder return, revenue and key customer programme targets. The Committee has discretion to adjust formulaic outcomes to reflect business or individual performance or other appropriate reasons.

Malus and clawback conditions apply and a holding period of two years applies to the Executive on any awards, net of tax and NICs liabilities, that vest.

Share options

Historically, members of the Executive team and many of the employees have been awarded share options at market price. These options generally had vesting periods between three and six years and had no performance criteria attached. However, since 2017 they have not been the preferred method of share incentivisation and no ordinary share options have been awarded since then.

All staff and Executive Directors are eligible to take part in HMRC-approved Sharesave schemes.

Executive Director service agreements

All Executive Directors have service agreements that terminate on six months' notice.

Non-Executive Directors

Fees for Non-Executive Directors are a matter for the Board based on market comparisons with positions of similar responsibility and scope in companies of a similar size and in comparable industries (subject to the aggregate overall maximum for all Non-Executive Directors fees of £750,000 per annum as set out in the Articles of Association as approved by shareholders). In practice the fees, excluding the Chairman's fee, are determined by the Chairman and the Executive Directors and, in the case of the fees for the Chairman by the Board (the Chairman abstaining). Non-Executive Directors do not have service contracts; are not eligible for pension scheme membership or to participate in the Group's LTIP; and do not participate in any of the Group's bonus schemes or receive any other benefits. They have letters of engagement with the Company and appointment can be terminated on one month's written notice by either side.

The Chairman's fee was increased from £45,000 to £80,000 on the appointment of Warren Finegold as Chairman taking effect on 11 June 2020. This reflects the growth of the Group and his responsibilities and time commitment to the role, including leading an effective Board to enable the delivery of the Group's growth strategy and to create long-term sustainable shareholder value. After the period end his annual fee level was reviewed again and increased to £120,000 and was also agreed to increase to £180,000 as and when the Company moves up to the FTSE Main Market. The Chairman's remuneration also covers his participation in any Committees.

As with the Executive Directors, Non-Executive Directors' fees of £40,000 each are designed to attract and retain individuals who have the expertise, responsibility and the time commitment to be able to contribute to an effective Board and deliver long-term sustainable shareholder value. From June 2020 for those Non-Executive Directors who are nominated by strategic investors and whose fees are invoiced by the investor, a fee level of £25,000 has applied. The Group reimburses Non-Executive Directors for reasonable expenses incurred such as travel and hotel accommodation. The Non-Executive Director fees were reviewed after the period end and increased to £55,000 each.

Since June 2020 additional fees of £10,000 per year have been paid to each Non-Executive Director chairing the Remuneration and Audit Committees and after the period end this was reviewed and amended to include the Chairs of all Board Committees. All Non-Executive Directors will receive an additional £5,000 fee if they are a member of more than one Committee, and the Senior Independent Director will also receive an additional £10,000 fee unless they chair another Committee.

Remuneration policy for senior managers and other employees of the Company

The remuneration policy for key senior managers and employees in the Group is similar to that of the Executive Directors. Where appropriate, they participate in the discretionary annual bonus plan as well as the LTIP. A large proportion of employees participate in the annual Sharesave scheme, giving them an option to save and purchase shares in the Group at a discount to the market price.

Annual report on remuneration

Total remuneration

The remuneration of each of the Directors for the 18 months ended 31 December 2020 is set out in the table below.

	Salary/fee £	Pension £	Bonus £	**Total 18 months ended 31 December 2020 £**	Annualised equivalent for the period ended 31 December 2020 £	Total 2018/2019 £
Executive						
Phil Caldwell	347,150	29,209	190,000	**566,359**	440,905	424,035
Richard Preston	248,333	20,895	64,000	**333,228**	243,485	209,980
Mark Selby[1]	–	–	–	**–**	n/a	48,080
Non-Executive Directors						
Warren Finegold[2]	55,538	–	–	**55,538**	n/a	–
Alan Aubrey[3]	64,359	–	–	**64,359**	n/a	45,000
Steve Callaghan	68,333	–	–	**68,333**	45,555	40,000
Caroline Hargrove	60,000	–	–	**60,000**	40,000	30,000
Haoran Hu[3]	40,000	–	–	**40,000**	n/a	22,769
Aidan Hughes	68,333	–	–	**68,333**	45,555	40,000
Mike Lloyd[1]	–	–	–	**–**	n/a	3,385
Qinggui Hao[3]	12,500	–	–	**12,500**	n/a	–
Uwe Glock[3]	12,500	–	–	**12,500**	n/a	–
Robert Trezona[3]	50,000	–	–	**50,000**	n/a	40,000

1. Mark Selby retired from the Board on 1 October 2018 and Mike Lloyd retired from the Board on 31 July 2018.
2. The remuneration paid to Warren Finegold accrued from his appointment on 1 March 2020.
3. The remuneration paid to Uwe Glock and Qinggui Hao accrued from their appointment date, being 17 June 2020. The remuneration paid to Alan Aubrey and Robert Trezona ceased on their retirements from the Board on 28 September 2020.

Details of Directors' interests in share options

	At 1 July 2019 number	Granted number	Exercised	Lapsed/ surrendered number	At 31 December 2020 number	Exercise price	Exercise period
Phil Caldwell							
Options (unapproved)[1]	200,000	–	(161,665)	(38,335)	**–**	£0.85	Sep 2014 – Nov 2023
Options (unapproved)[1 & 3]	200,000	–	(166,855)	(33,145)	**–**	£0.85	Sep 2015 – Nov 2023
Options[2 & 3]	200,000	–	(190,330)	(9,670)	**–**	£0.85	Nov 2016 – Nov 2023
Options[2 & 3]	200,000	–	(190,330)	(9,670)	**–**	£0.85	Nov 2017 – Nov 2023
Options[2 & 3]	200,000	–	(190,330)	(9,670)	**–**	£0.85	Nov 2018 – Nov 2023
Options[3 & 4]	200,000	–	(76,687)	–	**123,313**	£0.85	Nov 2019 – Nov 2023
Options (unapproved)[5]	100,000	–	(19,576)	–	**80,424**	£0.85	Jul 2017 – Jul 2024
Options (unapproved)	100,000	–	–	–	**100,000**	£0.85	Jul 2018 – Jul 2024
Options (unapproved)	100,000	–	–	–	**100,000**	£0.85	Jul 2019 – Jul 2024
Options (unapproved)	100,000	–	–	–	**100,000**	£0.85	Jul 2020 – Jul 2024
Sharesave options(approved)[6]	13,636	–	(13,636)	–	**–**	£0.67	Feb – Jul 2020
Sharesave options (approved)	7,109	–	–	–	**7,109**	£1.27	Jun – Nov 2022
Sharesave options (approved)	–	4,610	–	–	**4,610**	£1.95	Feb – Jul 2023
LTIP[7]	650,700	–	–	(92,107)	**558,593**	£0.10	Sep 2019 – Sep 2026
LTIP	87,000	–	–	–	**87,000**	£0.10	Oct 2020 – Oct 2027
LTIP	138,530	–	–	–	**138,530**	£0.10	Oct 2021 – Oct 2028
LTIP	–	161,700	–	–	**161,700**	£0.10	Oct 2022 – Oct 2029
LTIP	–	114,107	–	–	**114,107**	£0.10	Dec 2023 – Dec 2030
	2,496,975	280,417	(1,009,409)	(192,597)	**1,575,386**		

1. Phil Caldwell looked to exercise 300,000 options (unapproved) on 4 February 2020 and 50,000 options (unapproved) on 6 February 2020. Connected with the exercise of these options, on the same dates he sold 300,000 Employee Shareholder Status (ESS) shares and 50,000 ESS shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd, which were granted as a modification to the unexercised 2004 Employees' Share Scheme options in 2014. He exercised 20,570 options (unapproved) on the 4 February 2020 and 3,667 on the 6 February 2020, at an exercise price of £0.854 and received 221,927 and 36,277 shares in Ceres Power Holdings plc for the sale of the ESS shares on those dates. He sold the subsequent shares on these dates at the closing mid-market price which was £3.989 and £4.055 respectively. The residual 325,763 unapproved share options lapsed. The table above shows the net effect of the transactions as 282,441 options exercised and 67,559 shares lapsed.
2. A portion of these shares are EMI approved.
3. Phil Caldwell looked to exercise 419,939 options (unapproved) on 10 December 2020. Connected with the exercise of these options, on the same date he sold 419,939 Employee Shareholder Status (ESS) shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd, which were granted as a modification to the unexercised 2004 Employees' Share Scheme options in 2014. He exercised 9,695 options (unapproved) on 10 December 2020 at an exercise price of £0.854 and received 377,312 shares in Ceres Power Holdings plc for the sale of the ESS shares on that date. He sold the subsequent shares at the closing mid-market price which was £10.171. The residual 410,244 unapproved share options lapsed. The table above shows the net effect of the transactions as 387,007 options exercised and 32,932 shares lapsed. He also exercised 230,061 Options (approved) at an exercise price of £0.854 on 30 October 2019. He sold the subsequent shares on this date at the closing mid-market price which was £2.112.
4. He exercised 76,687 Options (approved) at an exercise price of £0.854 on 6 February 2020. He sold the subsequent shares on this date at the closing mid-market price which was £4.0552.
5. He exercised 19,576 Options (approved) at an exercise price of £0.850 on 30 October 2019. He sold the subsequent shares on this date at the closing mid-market price which was £2.112
6. He exercised all 13,636 Options (approved) at an exercise price of £0.666 on 1 April 2020 and retained the shares. The closing mid-market price on this date was £3.510.
7. The LTIP achieved 85.8% of its performance criteria and therefore 14.2% (92,107) of the originally awarded options lapsed.

	At 1 July 2019 number	Granted number	Exercised	Lapsed/ Surrendered number	At 31 December 2020 number	Exercise price	Exercise period
Richard Preston							
Options (approved)[1]	40,000	–	(40,000)	–	**–**	£0.10	Jan 2016 – Jan 2023
Options (approved)[1]	40,000	–	(40,000)	–	**–**	£0.10	Jan 2017 – Jan 2023
Options (approved)[1]	40,000	–	(40,000)	–	**–**	£0.10	Jan 2018 – Jan 2023
Options (approved)[1]	40,000	–	(40,000)	–	**–**	£0.10	Jan 2019 – Jan 2023
Options (unapproved)[2]	37,500	–	(34,053)	(3,447)	**–**	£0.99	Apr 2016 – Apr 2023
Options (unapproved)[2]	37,500	–	(34,053)	(3,447)	**–**	£0.99	Apr 2017 – Apr 2023
Options (unapproved)[2]	37,500	–	(34,053)	(3,447)	**–**	£0.99	Apr 2018 – Apr 2023
Options (unapproved)	37,500	–	–	–	**37,500**	£0.99	Apr 2019 – Apr 2023
Options (unapproved)[3]	37,500	–	(37,500)	–	**–**	£0.85	Jul 2017 – Jul 2024
Options (unapproved)	37,500	–	–	–	**37,500**	£0.85	Jul 2018 – Jul 2024
Options (unapproved)	37,500	–	–	–	**37,500**	£0.85	Jul 2019 – Jul 2024
Options (unapproved)	37,500	–	–	–	**37,500**	£0.85	Jul 2020 – Jul 2024
Sharesave options (approved)	8,491	–	–	–	**8,491**	£1.06	Feb – July 2021
Sharesave options (approved)	7,109	–	–	–	**7,109**	£1.27	Jun – Nov 2022
LTIP	130,200	–	–	(18,430)	**111,770**	£0.10	Sep 2019 – Sep 2026
LTIP	47,000	–	–	–	**47,000**	£0.10	Oct 2020 – Oct 2027
LTIP	75,560	–	–	–	**75,560**	£0.10	Oct 2021 – Oct 2028
LTIP	–	91,340	–	–	**91,340**	£0.10	Oct 2022 – Oct 2029
LTIP	–	55,016	–	–	**55,016**	£0.10	Dec 2023 – Dec 2030
	728,360	146,356	(299,659)	(28,771)	**546,286**		

1. Richard Preston exercised 92,875 Options (approved) at an exercise price of £0.10 on 30 October 2019 and a further 67,125 on 4 February 2020. He sold the subsequent shares on these dates at the closing mid-market price which was £2.112 and £3.989 respectively.
2. He looked to exercise 112,500 options (unapproved) on 10 December 2020. Connected with the exercise of these options, on the same date he sold 112,500 Employee Shareholder Status (ESS) shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd, which were granted as a modification to the unexercised 2004 Employees' Share Scheme options in 2014. He exercised 1,078 options (unapproved) on 10 December 2020 at an exercise price of £0.9875 and received 101,080 shares in Ceres Power Holdings plc for the sale of the ESS shares on that date. He sold the subsequent shares on that date at the closing mid- market price which was £10.171. The residual 111,432 unapproved share options lapsed. The table above shows the net effect of the transactions as 102,159 options exercised and 10,341 shares lapsed.
3. He exercised 37,500 Options (unapproved) at an exercise price of £0.854 on 10 December 2020. He sold the subsequent shares on this date at the closing mid-market price which was £10.171.
4. The LTIP achieved 85.8% of its performance criteria and therefore 14.2% (18,430) of the originally awarded options lapsed.

All options outlined above are fully exercisable at each Director's discretion during the relevant exercise period subject to any applicable performance and hold criteria being met.

During the 2014 and 2016 years, certain key employees and Directors who were option holders under the 2004 share option scheme were awarded Employee Shareholder Status (ESS) shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd. The ESS shares were granted as a modification to the unexercised 2004 Employees' Share Scheme options, providing the relevant employees with additional exercise rights. The issuing of the ESS shares has not changed the vesting period or exercise price of the unexercised 2004 Employees' Share Scheme options granted. The total fair value charge of the options remains unchanged and the gross benefit received cannot exceed the gain realisable under the original share options and it cannot be received at an earlier time. As part of this, in 2014, Phil Caldwell and Richard Preston were awarded 893,251 and 150,000 ESS shares and at 31 December 2020 retained 123,312 and 37,500 ESS shares respectively.

Directors' interests in shares

The Directors also had the following interests in shares in the Company as at the date of the signing of this Annual Report:

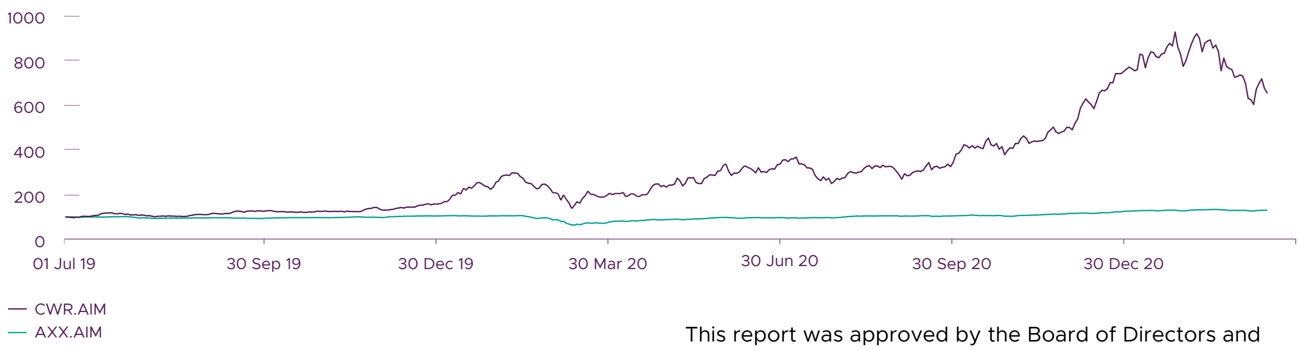
- Phil Caldwell: 60,564 shares;
- Steve Callaghan: 139,919 shares;
- Warren Finegold: 5,004 shares
- Aidan Hughes: 26,520 shares; and
- Richard Preston: 59,641 shares;

Previously the Remuneration Committee put in place a minimum shareholdings policy for Non-Executive Directors and PDMRs, to ensure the interests of investors remain aligned with those of Directors and key management. Non-Executive Directors will be expected to build up their shareholding in the Company over time to 100% of their annual fees, where allowable. The CEO and other PDMRs should build up their shareholding and value of exercisable share options to 150% and 100% of their salaries respectively. At the period end all the Executives, Steve Callaghan and Aidan Hughes met the minimum shareholdings policy.

In the previous period, the Remuneration Committee, having taken advice from the Company's Nomad, agreed that PDMRs could exercise and sell shares without disrupting the market by opening biannual windows in which they can trade. During the 18-month period, three windows were opened which PDMRs took advantage of.

Performance graph

The following graph shows the Group's performance, measured by total shareholder return (TSR), compared with the performance of the FTSE AIM (rebased) for the period from 1 July 2019 to 16 March 2021. One key measure of the LTIP is TSR, measured over a three-year performance period.



This report was approved by the Board of Directors and authorised for issue on 17 March 2021 and was signed on its behalf by:

Steve Callaghan
Remuneration Committee Chairman

Directors' report

for the 18 months ended 31 December 2020

The Directors present their Annual Report and the audited financial statements for the 18 months ended 31 December 2020.

Principal activities

The Ceres Power Group is a leader in the electrochemical technology sector, enabling the world's most progressive companies to deliver clean energy at scale and at speed through a high-margin, asset-light licensing business model.

Review of business and future developments

A review of the Group's business, including events since the period end and the outlook ahead, is set out in detail in the Chairman's statement on page 2 and the Chief Executive's review on pages 14 to 17.

Results and dividends

The consolidated results of the Group for the year are set out in the Consolidated Statement of Profit and Loss on page 65.

The Directors do not recommend the payment of a dividend (2019: £nil).

Research and development

During the 18 months ended 31 December 2020, the Group incurred expenditure of £27,885,000 (12 months ended 30 June 2019: £13,799,000) on research and development which was expensed to the Consolidated Statement of Profit and Loss. In addition, £3,795,000 of development costs relating to the design, development, protection and configuration of the Group's core technology and manufacturing processes were capitalised as a development intangible in the 18 months ended 31 December 2020 (12 months ended 30 June 2019: £1,288,000).

Principal risks and uncertainties

In addition to financial risk management which is detailed in Note 19 to the financial statements, there are a number of risks and uncertainties which could have a material impact on the execution of the Group's strategy. These are set out in the Strategic Report on pages 33 to 35.

Branches outside the UK

As at 31 December 2020, the Group had no branches outside of the UK.

Events after the reporting date

On 17 March 2021, the Group proposed to raise additional funding of £181m from the equity markets to invest in our SOFC business for growth into new applications and expanding to electrolysis.

Corporate and social responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities, including streamlined energy and carbon reporting, are included in the Sustainability section on pages 24 to 27.

Employee information

The Company engages with employees in a number of ways, including regular All Hands meetings and social events, the Connect employee forum and by providing learning and development opportunities via the Ceres Academy.

The Group encourages diversity and equal opportunity for all people in relation to recruitment, selection and career development. This includes giving full and fair consideration to applications for employment by disabled persons and the continued employment of anyone incurring a disability while employed by the Group.

Directors

The Directors of the Company, who served during the 18 months ended 31 December 2020 and up to the date of signing the financial statements, unless otherwise stated, are as follows:

- Alan Aubrey (Non-Executive Chairman) – retired from the Board 28 September 2020
- Phil Caldwell (Chief Executive Officer)
- Steve Callaghan (Senior Independent Director)
- Warren Finegold (Non-Executive Chairman) – appointed to the Board 1 March 2020
- Uwe Glock (Non-Executive Director) – appointed to the Board 17 June 2020
- Caroline Hargrove (Non-Executive Director)
- Qinggui Hao (Non-Executive Director) – appointed to the Board 18 June 2020
- Haoran Hu (Non-Executive Director) – retired from the Board 17 June 2020
- Aidan Hughes (Non-Executive Director)
- Richard Preston (Chief Financial Officer)
- Robert Trezona (Non-Executive Director) – retired from the Board 28 September 2020

Directors' and Officers' liability insurance

The Company maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006.

Substantial shareholders

The Company has been notified of the following holdings of 3% or more of the 172,758,750 ordinary shares of £0.10 each of the Company on 16 March 2021:

Investor	Number of £0.10 ordinary shares	Percentage
Weichai Power	33,865,311	19.6%
Robert Bosch	30,141,730	17.5%

Policy and practice on payment of creditors

It is the Group's policy for all suppliers to agree payment terms in advance of the supply of goods and services and to adhere to those payment terms. Trade creditors of the Group as at 31 December 2020, as a proportion of amounts invoiced by suppliers during the previous 18 months, represented 34 days (30 June 2019: 32 days). Trade creditors of the Company as 31 December 2020 as a proportion of amounts invoiced by suppliers during the previous 18 months represented 12 days (30 June 2019: 30 days).

Corporate governance

The Directors recognise the importance of good corporate governance. The principles of how we have applied the updated 2018 Quoted Companies Alliance Corporate Governance Code (the 2018 QCA Code) and other corporate governance guidelines are set out in the Corporate Governance section of this report, and on the Company's website (https://www.ceres.tech/about-us/corporate-governance/).

Financial instruments

As at 31 December 2020, the Group did not have any complex financial instruments. The financial instruments it does have primarily comprise cash and liquid resources, forward exchange contracts and other various short-term assets and liabilities, such as trade receivables and trade payables which are used to manage the Group's operations.

Statement of Directors' responsibilities in respect of the Annual Report, Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial ftatements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. They have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards;
- for the Parent Company financial statements, state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend either to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK that governs the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

Having reviewed the Group's cash and short-term investments, forecast income and expenditure, performing appropriate sensitivity and scenario analyses, and after making appropriate enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to progress their established strategy. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Directors' statement on disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirmed that as far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following an audit tender process carried out during 2019, BDO LLP was appointed as the Group's new external auditor for the 18-month period to 31 December 2020. BDO was subsequently re-appointed at the following AGM held in December 2020, to hold office until the 2021 AGM.

By order of the Board

Richard Preston
Chief Financial Officer

17 March 2021

Viking House
Foundry Lane
Horsham
RH13 5PX

Independent auditor's report

to the members of Ceres Power Holdings Plc

Opinion

We have audited the financial statements of Ceres Power Holdings Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the 18-month period ended 31 December 2020 which comprise the Consolidated statement of profit and loss and other comprehensive income, the Consolidated statement of financial position, the Consolidated cash flow statement, the Consolidated statement of changes in equity, the Company balance sheet, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the 18-month period then ended;
– the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
– the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

– the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
– the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) we identified, 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 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.

	Key audit matter	How we addressed the key audit matter in our audit	Key observation
Revenue recognition	As detailed in Note 1, the recognition of revenue is reliant on a number of key judgements being made. The Group holds a small number of large revenue contracts which detail various performance obligations. There is judgement required to determine the nature of performance obligations and then the allocation of the revenue to each obligation. Revenue is then recognised at either a point in time basis or over time depending on the nature of each obligation which varies between the contracts. We considered there to be a risk in relation to the application of the accounting standard and the overstatement of revenue as well as the recording of the contract assets and liabilities. The overstatement could arise through the incorrect or inappropriate accounting application or the manipulation of the stage of completion or delivery of services to the customer.	We investigated the application of the accounting standards and Group accounting policy to the new contracts or phases of contracts signed in the period. We considered the judgements made by management and challenged the appropriateness of the conclusions reached using the accounting standards, contracts with customers and our understanding of the business. We performed testing on a sample of revenue postings recognised in relation to the provision of hardware to proof of delivery ensuring the transaction has been recorded in the correct period. We performed testing on a sample of revenue postings recognised in relation to the provision of engineering services to timecard data, recalculating the amount of revenue expected to be recognised. We performed testing on a sample of revenue postings recognised in relation to the provision of licences. We tested the basis of recognition and confirmed through review of the documentation or through confirmation from the customer that the licence had been provided. We recalculated contract assets and liabilities using the testing completed above and the invoicing completed by the Group.	We have noted no material errors arising in relation to the revenue recognition as a result of the audit testing completed.
Capitalisation and amortisation of intangibles	As detailed in Note 1 the Group recognises an element of the development costs as intangible assets on the basis that the technology has been commercially viable with the commencement of material licensing contracts with customers over the last two years. Management reviews the costs incurred against the requirements of the accounting standards and considers if the capitalisation criteria has been met. Once capitalisation has commenced further judgement is required as to when the amortisation of the asset should begin and the development is complete. We considered there to be a risk in relation to the capitalisation of the costs and the judgement required as well as the point in time at which the amortisation commences.	We investigated the accounting policy and supporting paper in relation to the application of the accounting standards to ensure that it was consistent with our understanding of the accounting standard. We performed testing on a sample of intangible asset additions agreeing the balances to supporting documentation. We have confirmed the recognition criteria has been met by investigating each material intangible asset against the requirements of the accounting standard and our understanding of the business. We have also reviewed the current commercial agreements in place to ensure the technology is commercially viable. We considered the point in time amortisation should commence for all material intangible assets and challenged the conclusions reached by management using the accounting standards and our understanding of the Group's operations.	We have noted no material errors arising in relation to the capitalisation and amortisation of the intangibles as a result of the audit testing completed.
Inventory valuation	As noted in Note 13, inventory is valued using standard costing. Therefore the inventory recorded includes an element of direct labour and overheads, furthermore an inventory provision which includes a high level of judgement is recognised to reduce the value to the lower of cost and net realisable value. We considered there to be a risk in relation to the estimates applied when calculating the standard costing of the stock inventory as well as the estimates required to calculate the inventory provision.	We recalculated the standard costing applied to the inventory items and agreed the inputs to the calculation back to supporting documentation. We considered the net realisable value of the inventory and investigated the margins applied on sale of the inventory. We investigated the inventory provision applied and have challenged management on the basis of the provision, comparing it against prior year provisions, our understanding of the business and the results of the rest of the inventory testing. We have confirmed the inventory provision calculation is arithmetically accurate and challenged management on the assumptions applied. We compared the assumptions to historical and actual performance and applied that to the provision to determine if the assumptions were appropriate.	We have noted no material errors arising in relation to the inventory valuation as a result of the audit testing completed.

Our application of materiality

We apply the concept of materiality both in planning and performing of our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £317,000. This was determined with reference to a benchmark of revenue of which it represents 1%. We consider revenue to be the most appropriate benchmark as the Group is currently in the research and development stage of its growth and as such is not generating profits consistent with the operations and size of the business.

In determining performance materiality we based our assessment on a level of 60% of materiality. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements, the amount of areas of estimation within the financial statements, the lack of previous experience auditing the Group and the type of audit testing to be completed.

The materiality threshold for the Parent Company is set at £301,150. The materiality has been determined with reference to the net assets of the Company. The materiality has been set at 1% of the net assets but has been capped to ensure the materiality is below that of the Group. Performance materiality has been set at the same level as the Group.

The materiality of the components has been set based on revenue or net assets in line with the Group and Parent Company depending on whether the component is generating revenue or acts as a holding company. The same thresholds have been applied to the components as the Group and Parent Company. The materiality applied to the components ranges from £79,000 through to £301,750.

The reporting threshold to the Audit Committee was set at £6,000 which is 2% of the materiality threshold. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements at the Group and Parent Company level.

The Group operates solely in the United Kingdom. The Group financial statements are a consolidation of five companies. The Group is made up of three trading companies and supported by two holding companies, one of which being the Parent Company. In establishing the overall approach to the Group audit, we determined the type and amount of work that needed to be performed on each Company on the basis that all the components were considered significant.

Based on our assessment we performed a full scope audit of the complete financial information of all entities within the Group. The same audit team completed all audit work and no reliance was placed on component auditors.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. Our audit evidence was obtained through substantive procedures.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 Financial Reporting Council's website: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Poulter
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor Guildford

17 March 2021

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

Consolidated statement of profit and loss and other comprehensive income

for the 18 months ended 31 December 2020

	Note	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Revenue	2	**31,682**	15,300
Cost of sales		**(10,355)**	(3,804)
Gross profit		**21,327**	11,496
Other operating income	3	**1,305**	1,065
Operating costs	3	**(40,266)**	(20,485)
Operating loss		**(17,634)**	(7,924)
Finance income	4	**989**	552
Finance expense	20	**(664)**	–
Loss before taxation	3	**(17,309)**	(7,372)
Taxation credit	7	**2,493**	2,538
Loss for the financial period and total comprehensive loss		**(14,816)**	(4,834)
Loss per £0.10 ordinary share expressed in pence per share:			
– basic and diluted	8	**(9.12)p**	(3.43)p

The notes on pages 69 to 97 are an integral part of these consolidated financial statements.

Strategic Report

Governance

Financial Statements

Consolidated statement of financial position

as at 31 December 2020

	Note	As at 31 Dec 2020 £'000	As at 30 June 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**14,979**	9,769
Right of use assets	10	**3,971**	–
Intangible assets	11	**4,909**	1,322
Long-term investments	16	**8,000**	–
Other receivables	14	**741**	741
Total non-current assets		**32,600**	11,832
Current assets			
Inventories	13	**2,107**	1,403
Contract assets	2	**864**	722
Other current assets	15	**1,002**	1,497
Derivative financial instruments	19	**59**	28
Current tax receivable		**3,124**	2,292
Trade and other receivables	14	**5,570**	4,204
Short-term investments	16	**69,231**	63,700
Cash and cash equivalents	16	**32,955**	7,567
Total current assets		**114,912**	81,413
Liabilities			
Current liabilities			
Trade and other payables	17	**(9,112)**	(2,365)
Contract liabilities	2	**(7,505)**	(3,061)
Other current liabilities	18	**(2,675)**	(1,838)
Derivative financial instruments	19	**(43)**	(66)
Lease liabilities	20	**(823)**	–
Provisions	21	**(612)**	(158)
Total current liabilities		**(20,770)**	(7,488)
Net current assets		**94,142**	73,925
Non-current liabilities			
Other non-current liabilities	18	**–**	(323)
Lease liabilities	20	**(3,622)**	–
Provisions	21	**(1,610)**	(992)
Total non-current liabilities		**(5,232)**	(1,315)
Net assets		**121,510**	84,442
Equity attributable to the owners of the parent			
Share capital	22	**17,217**	15,277
Share premium		**227,682**	179,116
Capital redemption reserve	23	**3,449**	3,449
Merger reserve	23	**7,463**	7,463
Accumulated losses		**(134,301)**	(120,863)
Total equity		**121,510**	84,442

The notes on pages 69 to 97 are an integral part of these consolidated financial statements.

The financial statements on pages 65 to 97 were approved by the Board of Directors on 17 March 2021 and were signed on its behalf by:

Phil Caldwell
Chief Executive Officer

Richard Preston
Chief Financial Officer

Ceres Power Holdings plc
Registered Number: 5174075

Consolidated cash flow statement

for the 18 months ended 31 December 2020

	Note	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Cash flows from operating activities			
Loss before taxation		**(17,309)**	(7,372)
Adjustments for:			
Finance income	4	**(989)**	(552)
Finance expense	20	**664**	–
Depreciation of property, plant and equipment	3	**3,820**	1,025
Depreciation of right of use assets	3	**776**	–
Amortisation of intangibles	3	**208**	13
Net foreign exchange losses	3	**139**	67
Net change in fair value of financial instruments at fair value through profit or loss	3	**(55)**	42
Share-based payments	24	**1,378**	909
Operating cash flows before movements in working capital and provisions		**(11,368)**	(5,868)
Increase in trade and other receivables and other current assets		**(2,338)**	(1,412)
Increase in inventories		**(704)**	(3)
Increase/(decrease) in trade and other payables and other liabilities		**752**	(559)
Increase in contract assets		**(142)**	(722)
Increase in contract liabilities		**4,444**	3,061
Increase in provisions		**1,072**	299
Net cash used in operations		**(8,284)**	(5,204)
Taxation received		**2,460**	2,146
Net cash used in operating activities		**(5,824)**	(3,058)
Investing activities			
Purchase of property, plant and equipment		**(9,256)**	(7,693)
Capitalised development expenditure		**(3,795)**	(1,288)
Increase in long-term investments		**(8,000)**	–
Increase in short-term investments[1]		**(74,380)**	(75,700)
Repayment of short-term investments[1]		**68,849**	12,000
Finance income received		**1,123**	193
Net cash used in investing activities		**(25,459)**	(72,488)
Financing activities			
Proceeds from issuance of ordinary shares		**50,851**	77,926
Expenses from issuance of ordinary shares		**(344)**	(1,141)
Cash received on behalf of employees on the sale of share options	17	**7,490**	–
Repayment of lease liabilities	20	**(523)**	–
Finance interest paid	20	**(664)**	–
Net cash generated from financing activities		**56,810**	76,785
Net increase in cash and cash equivalents		**25,527**	1,239
Exchange losses on cash and cash equivalents		**(139)**	(67)
Cash and cash equivalents at beginning of period		**7,567**	6,395
Cash and cash equivalents at end of period	16	**32,955**	7,567

1. Increase in and repayment of short-term investments in 2019 have been corrected to present the amounts gross, as they did not meet the criteria for net presentation. In the prior year the amounts were presented as a net increase of short-term investments of £63,700,000.

The notes on pages 69 to 97 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the 18 months ended 31 December 2020

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 July 2018		10,163	107,445	3,449	7,463	(116,938)	11,582
Comprehensive income							
Loss and total comprehensive loss for the financial year		–	–	–	–	(4,834)	(4,834)
Total comprehensive loss		–	–	–	–	(4,834)	(4,834)
Transactions with owners							
Issue of shares, net of costs	22	5,114	71,671	–	–	–	76,785
Share-based payments	24	–	–	–	–	909	909
Total transactions with owners		5,114	71,671	–	–	909	77,694
At 30 June 2019		15,277	179,116	3,449	7,463	(120,863)	84,442
Comprehensive income							
Loss and total comprehensive loss for the financial period		**–**	**–**	**–**	**–**	**(14,816)**	**(14,816)**
Total comprehensive loss		**–**	**–**	**–**	**–**	**(14,816)**	**(14,816)**
Transactions with owners							
Issue of shares, net of costs	22	**1,940**	**48,566**	**–**	**–**	**–**	**50,506**
Share-based payments	24	**–**	**–**	**–**	**–**	**1,378**	**1,378**
Total transactions with owners		**1,940**	**48,566**	**–**	**–**	**1,378**	**51,884**
At 31 December 2020		**17,217**	**227,682**	**3,449**	**7,463**	**(134,301)**	**121,510**

The notes on pages 69 to 97 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the 18 months ended 31 December 2020

1. Accounting policies used in the preparation of the financial statements

The Company is incorporated and domiciled in the United Kingdom and is registered on the AIM Market of the London Stock Exchange.

The accounting policies applied in the preparation of these consolidated financial statements are set out below and at the start of the respective notes to these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared on a going concern basis, in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company has elected to prepare its entity financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and these are presented on pages 98 to 103.

On 2 April 2020, the Group announced that it was extending its current accounting period from the 12 months ended 30 June 2020 to the 18 months ended 30 December 2020. As a result, these consolidated financial statements cover the 18-month period ended 31 December 2020, with comparisons provided against the 12-month period ending 30 June 2019.

The consolidated financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through profit and loss.

Foreign currencies

The consolidated financial statements are presented in pounds sterling, which is the Company's functional currency and the Group's presentational currency. Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the foreign exchange rate prevailing at the period end. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Basis of consolidation

The consolidated financial statements of Ceres Power Holdings plc include the results of the Company and subsidiary entities which are 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.

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated.

Going concern

The Group has reported a loss after tax for the 18-month period ended 31 December 2020 of £14.8m and net cash used in operating activities of £5.8m. At 31 December 2020, it held cash and cash equivalents and investments of £110.2m. The Directors have prepared annual budgets and cash flow projections that extend beyond 12 months from the date of approval of this report. These projections were supported by stress testing forecast cash flows considering the impact of different scenarios including the Group's expectation of the potential continued future impact of Covid-19. In each case the projections demonstrated that the Group is expected to 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.

Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Significant judgements

The judgements made by management in applying accounting policies that are considered to have the most significant impact on the Group's assets and liabilities are the following:

- Revenue from customer contracts
- Capitalisation and amortisation of development costs
- Determination of the term of the lease as a lessee in the event of agreements with termination options
- Determination of the incremental borrowing rate used to measure lease liabilities

1. Accounting policies used in the preparation of the financial statements continued

Revenue from customer contracts

The Group has recognised revenue from customer contracts of £31.7m in the 18 months ended 31 December 2020 (12 months ended 30 June 2019: £15.3m) and net contract liabilities of £6.6m (2019: £2.3m) as at 31 December 2020. Note 2 sets out the Group's accounting policies in respect of revenue from customer contracts.

Customer contracts typically include engineering services, access to or sale of technology hardware and licences. Judgement is required when identifying the performance obligations in a contract as well as when determining the basis on which to allocate revenue between each performance obligation.

In determining the revenue recognition for licence components of customer contracts, judgements must be made as to the nature of the licences (right to access or right to use) and the number and timing of performance obligations associated with those licences. These judgements are made based on the interpretation of key clauses and conditions within each customer contract. For example, where a contract confers the customer with the right to benefit from existing background IP as at a specific date, that is generally treated as a right to use licence. In contrast, where a contract confers the customer with the right to benefit from future IP developments as they occur, that would be more likely to be treated as a right to access licence. Judgement is also required when determining the point at which the benefit of the IP is fully transferred to the customer, which can depend on a number of factors including their experience with fuel cells.

During the current period, these judgements have been applied to the new agreements entered into with Doosan on 19 October 2020. The contracts have a total combined value of £43m, including £7m contingent on the Group achieving certain KPIs during the contract term.

Key judgements applied to the revenue recognition of those contracts included treating the three agreements as a single, combined contract for accounting purposes and the identification of separate performance obligations and allocation of transaction price. In particular, judgements made around the allocation of contract value to the delivery of upfront IP (which was based on applying the residual method approach) and the appropriate time to recognise revenue based on the point at which Doosan were deemed to be able to fully benefit from that IP, have resulted in a material portion of revenue being deferred and recognised in 2021.

Capitalisation and amortisation of development costs

When determining the criteria for starting, and subsequently ceasing, the capitalisation of development costs as an internally generated asset, IAS 38 requires that strict criteria are met; in particular, that it is probable that future economic benefits will result from the development asset.

Following management's assessment in the previous year that the probability threshold was met, processes were implemented to review and assess all customer and internal development programme expenditure to ascertain whether it is appropriate to capitalise development costs under IAS 38.

Determining when capitalisation should commence and cease is a critical judgement, as is the basis for the appropriate stage at which to cease capitalising ongoing costs and to commence amortising the capitalised asset.

Within the Group there is an established Technology and Product Development Process with gated milestones that assesses the technology and product viability and maturity. Until a programme has passed the required milestone gate, all expenditure is deemed "Research" and expensed as incurred. Expenses incurred after the milestone gate is passed are capitalised within the parameters set out in the accounting policy. Once a programme has passed another milestone gate, confirming development activities are completed, the capitalisation of costs ceases. Any further expenditure is expensed, and amortisation of the intangible asset commences.

Application of the above policy requires management's judgement around key areas such as future commercial feasibility of the development and that future economic benefit will be derived from the development. The Executive Board regularly reviews the critical judgements around capitalisation and useful economic life of development projects.

During the 18 months ended 31 December 2020, the application of these judgements resulted in development costs of £3.8m (12 months ended 30 June 2019: £1.3m) being capitalised (see Note 11). The net book value of capitalised development costs as at 31 December 2020 was £4.9m (30 June 2019: £1.3m), and amortisation of £0.2m (2019: £13,000) was charged during the period.

Determination of the term of the lease as a lessee in the event of agreements with termination options

Ceres determines the term of the lease as the non-cancellable period for which the lessee has the right to use the asset as well as periods covered by termination options if Ceres is reasonably certain that it will not exercise that option. Both leases for premises contain a break clause. Ceres applies judgement in evaluating whether it is reasonably certain that an option to renew will be exercised or that an option to terminate the lease will not be exercised. In this context, Ceres considers all relevant facts and circumstances that create an economic incentive for Ceres to exercise, or not to exercise, the termination option, respectively.

The application of these judgements during the current period resulted in management determining that, based on all available information, the Group is not likely to exercise the break clause option in either of the property leases. The value of the right of use asset recognised on transition to IFRS 16 at 1 July 2019 is £4.7m, with a corresponding lease liability of £5.0m.

Determination of the incremental borrowing rate used to measure lease liabilities

As at 31 December 2020, lease liabilities worth £4.4m were reported, reflecting the present value of the future lease payments not yet made as at that date. The interest rate implicit in the lease can only be reliably determined in exceptional cases. In all other cases the Group therefore uses its own incremental borrowing rate to measure the lease liability.

The incremental borrowing rate is the interest rate the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Determining the incremental borrowing rate therefore involves judgement to be applied when estimating the interest rate the Group would have to pay. In this context, judgement is required, for instance, to determine the interest the Group companies would have to pay if no observable interest rates are available.

Applying a 10% reduction to the discount rate of 10% used to calculate the initial lease liabilities and right of use assets as at 1 July 2019 (i.e. to reduce the discount rate to 9%), would result in an additional lease liability of c. £130k and an increase in the right of use asset of c.£150k being recognised in the Consolidated Statement of Financial Position.

Significant estimates and assumptions

Significant estimates and associated assumptions are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The most significant estimates, assumptions and sources of uncertainty applicable in preparing the Group's 2020 consolidated financial statements are set out below:

- Determination of period-related revenue recognition over the course of customer contracts
- Recognition and measurement of warranty provisions
- Recognition and measurement of dilapidation provisions

Determination of period-related revenue recognition over the course of customer contracts

Customer contracts typically include engineering services, access to or sale of technology hardware and licences. Revenue is allocated to these key components based on initial cost estimates to deliver the obligations under the contract and established margins for the different components. Management has established a range of margins to apply to contract components where the costs can be reliably estimated. Given the sometimes complex and long-term nature of customer contracts, these forecast cost estimations and margins are considered a significant area of estimation when valuing and allocating revenue to key components.

Revenue for engineering services is recognised based on the percentage of completion method and is measured based on the total contract costs at each reporting period compared to the estimated total contract costs to deliver the service over the contract life. The assessment of the total project costs to deliver the contracted service are updated during the term of the contract by project managers and are subject to internal reviews, including comparison to previous forecasts and past experience. Changes in these estimates may impact revenue recognised at the reporting date.

The actual recognition of wholly or partially unsatisfied performance obligations may ultimately differ from the estimate made at the reporting date and it is reasonably possible that outcomes on these contracts within the next reporting period could differ, adversely or favourably, in aggregate to those estimated. The estimated costs to complete reflect management's best estimate at that point in time and no individual estimate is expected to have a materially different outcome. If the expected costs to complete for all of the Group's contracts were 10% higher or lower for the year ended 31 December 2021, revenue recognised in 2021 could be up to £0.7m higher or lower as a result.

Recognition and measurement of warranty provisions

As at 31 December 2020, the Group has recognised warranty provisions of £418,000 (30 June 2019: £93,000). When recognising and measuring provisions, assumptions are required about probability of occurrence, maturity and level of risk. Determining whether a current obligation exists is usually based on review by internal experts. The amount of provision is based on expected expenses, and is either calculated by assessing the specific case in the light of empirical values, outcomes from comparable circumstances, or else estimated by experts.

Given the higher production volumes following the commissioning of our production facility in Redhill, together with the higher volumes of hardware shipments to customers during the past 18 months and the relative immaturity of the product, there is a risk that performance or other issues might be identified during the next financial period which will require further rectification costs to be incurred. Management believes that, based on existing knowledge, it is reasonably possible that the warranty costs could be up to 50% higher than expected. This could result in the Group incurring additional costs of up to c.£0.2m over the next 12 months as a result. Note 21 sets out further details around the Group's warranty provisions.

Recognition and measurement of dilapidation provisions

As at 31 December 2020, the Group has recognised dilapidations provisions of £1.6m (30 June 2019: £1.0m). The amount of provision is based on the expected cost at the termination of the lease agreements, to bring the leasehold properties back to their original condition. The provision has been based on an independent surveyor's report, however management has applied judgement and interpretation to determine the best estimate of the expenditure required to settle the Group's probable liability based on this valuation, as well as to determining an appropriate discount rate to apply. If total dilapidation costs ended up being 10% higher than expected, additional costs incurred would be in the order of £150k. Note 21 sets out further details around the Group's dilapidation provisions.

1. Accounting policies used in the preparation of the financial statements continued

New standards and amendments applicable as of 1 July 2019

Since the beginning of the financial period the Group has adopted the following mandatory standards and interpretations amended or newly issued by the IASB. Their adoption has not had a material effect on the financial statements unless otherwise indicated:

- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 16 Leases
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle:
  - Amendments to IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs

IFRS 16 Leases

The Group adopted IFRS 16 with effect from 1 July 2019. IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 14.

The Group holds leases for premises and IT equipment with lease terms ranging from six months to ten years.

As a lessee, the Group previously classified leases as operating or finance leases based on its own assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. i.e. these leases are on balance sheet.

The Group decided to apply recognition exemptions to short-term leased plant and machinery. For leases of other assets, which were classified as operating under IAS 17, the Group has recognised right-of-use assets and lease liabilities.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at 1 July 2019. The associated right-of-use asset for property leases and other assets was measured at the amount equal to the lease liability adjusted for the amount of any prepaid or accrued lease payments relating to that lease.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- For leases with a remaining term of less than one year at the date of initial application, the Group does not recognise any right-of-use assets and lease liabilities, in line with exercising the exception for short-term leases with lease terms of 12 months or less.
- Accounting for the entire contract for property leases as a lease. (i.e. including service charges).
- Hindsight is used in determining the lease term of contracts containing options to extend or terminate the lease.

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate as at the 1 July 2019. This is estimated by management to be 10%, based on information provided by a third-party financial institution.

Impact on the financial statements.

On transition to IFRS 16 the Group recognised £4,747,000 of right-to-use assets and a lease liability of £4,971,000. Prepayments and accruals were decreased by £122,000 and £346,000 respectively.

Reconciliation of lease commitments in the prior year to lease liability recognised under IFRS 16

	Land and Buildings £'000	Other £'000	Total £'000
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	3,812	29	3,841
Recognition of period from break clause to lease end[1]	3,469	–	3,469
Discounted using the incremental borrowing rate at 1 July 2019	(2,328)	(2)	(2,330)
Less short-term leases recognised as an expense on a straight-line basis	–	(9)	(9)
Lease liabilities recognised 1 July 2019	4,953	18	4,971

1. Under the previous accounting policy the lease commitment was disclosed for the non-cancellable element of the lease, that is, until the first break clause. IFRS 16 requires companies to consider the economic benefits and penalties which would be incurred in order to determine the likelihood of extending the lease term past any enforceable period. The Group has undertaken significant leasehold improvements at both properties which are expected to continue to have significant economic benefit for the Group when the option becomes exercisable and the lease liability has therefore been recognised until the expiry of the full lease term as it is considered reasonably certain that the Group will take up these options.

New standards and amendments issued but not yet effective

The following adopted IFRSs have been issued, have an effective date for annual periods beginning after 1 January 2021 and have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material)
- Revisions to the Conceptual Framework for Financial Reporting
- IBOR Reform and its effect on Financial reporting
- Amendments to IFR16 Leases (relating to proceeds before intended use and Covid-19-related rent concessions)
- Amendments of updated references to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018–2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- Amendments to IAS 37 – Onerous Contracts – Cost of fulfilling a Contract

2. Revenue and segmental information

Revenue and direct costs

Revenue comprises the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, other sales taxes and after eliminating sales within the Group.

Revenue primarily consists of amounts received or receivable under evaluation, development, supply and licence contracts. The nature of goods and services provided under these contracts consists of engineering services, access to or sale of technology hardware and licences to access and use intellectual property (IP).

Engineering services are provided under evaluation and development agreements. The nature of the work typically comprises engineering staff time for design, development, modelling and test analysis. The performance obligation in relation to this work is deemed to be satisfied over time based on a percentage of completion basis.

Technology hardware is provided to customers under evaluation, development and supply agreements. Where access to the hardware is provided under an evaluation agreement, the performance obligation is deemed to be satisfied on a straight-line basis over the period that the customers preferred technology performance attributes are verified under the evaluation agreement. Where access to the hardware is provided under development and supply agreements, the performance obligation is satisfied at the point in time that the hardware is delivered.

Access to intellectual property (IP) is provided to customers under licence agreements. The nature of the licences (right to access or right to use) is determined based on the interpretation of key clauses and conditions within each customer contract. The performance obligation is the disclosure of IP under the licence and is based on the number and timing of disclosures associated with those licences. For a right to use licence the performance obligation is satisfied at a point in time when the IP is disclosed. For a right to access licence the performance obligation is satisfied over the time that access is granted to IP developed.

Revenue is allocated to engineering services and access to or sale of technology hardware based on initial cost estimates to deliver the obligations under the contract and established margins for the different components (cost-plus margin). Management has established a range of margins to apply to contract components where the costs can be reliably estimated. Given the sometimes complex and long-term nature of customer contracts, these forecast cost estimations and margins are considered a significant area of judgement when valuing and allocating revenue to key components.

2. Revenue and segmental information continued

Revenue is allocated to licences on a stand-alone selling price basis where observable. Where the licence forms part of a wider contract for the provision of engineering services and technology hardware, the Group uses a cost-plus margin approach for revenue allocated to engineering services and technology hardware components and a residual approach for allocating revenue to licences.

Revenue allocated to key components of contracts is recognised when performance obligations in relation to the key components are satisfied. Performance obligations are deemed to be satisfied as follows:

- Access to technology hardware – either on delivery or over time access is granted
- Sale of technology hardware – on delivery
- Engineering services – percentage of completion
- Right-to-use licence – at the point in time the IP is disclosed
- Right-to-access licence – over time that access is granted to IP developed

Percentage of completion is measured based on the total contract costs at each reporting period compared to the estimated total contract costs to deliver the service over the contract life. The assessment of the total project costs to deliver the contracted service are updated during the term of the contract by project managers and are subject to internal reviews, including comparison to previous forecasts and past experience.

Material differences in the amount of revenue in any given period may result if the judgements or estimates prove to be incorrect or if management's estimates change on the basis of development of the business or market conditions. To date there have been no material differences arising from these judgements and estimates.

The revenue recognition is subject to certainty of receipt of cash, or when any specific conditions in agreements have been met. Where there is a timing difference between the recognition of revenue and invoicing under a contract, a contract asset or liability is recognised.

If a loss is expected in respect of a contract, the entire loss is recognised immediately in the Consolidated Statement of Profit and Loss.

Variable consideration, such as for the achievement of performance targets or variation requests under negotiation with the customer at the reporting date, can be included in the transaction price together with the estimated costs to perform the associated obligations. These estimates of the expected value or most likely amount are recognised to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised in a future reporting period.

Contract modifications are treated as a separate contract if the scope of the contract increases because of the addition of distinct goods or services, and the price of the contract increases by an amount of consideration that reflects the stand-alone selling price of the additional promised goods or services.

Where a contract modification does not meet these criteria, it is accounted for as an adjustment to the existing contract, either prospectively, where the remaining goods or services are distinct from the goods and services transferred before the modification, or through a cumulative catch-up adjustment, where the remaining services are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Operating segments

The Group applies IFRS 8 Operating Segments. IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker (CODM) to assess performance and determine the allocation of resources.

The CODM has been identified as the Executive Board, the details of which are set out on pages 42 and 43. The Directors are of the opinion that under IFRS 8 the Group has only one operating segment, being the development and commercialisation of its fuel cell technology. The CODM assesses the performance of the operating segment on financial information which is measured and presented in a manner consistent with that in the financial statements.

The Group is organised into one operating segment, which is the development and commercialisation of its fuel cell technology. All of the Group's non-current assets are located in the United Kingdom.

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

Geographical market

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Europe	**14,228**	10,553
Asia	**16,613**	4,441
North America	**841**	306
	31,682	15,300

For the 18 months ended 31 December 2020, the Group has identified three major customers (defined as customers that individually contributed more than 10% of the Group's total revenue) that accounted for approximately 27%, 44% and 18% of the Group's total revenue recognised in the period (12 months ended 30 June 2019: two customers that accounted for approximately 69% and 16% of the Group's total revenue for that period).

Major product/service lines

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Engineering services	**10,866**	6,437
Provision of technology hardware	**10,297**	1,451
Licences	**10,519**	7,412
	31,682	15,300

Timing of transfer of goods and services

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Products and services transferred at a point in time	**15,280**	7,057
Products and services transferred over time	**16,402**	8,243
	31,682	15,300

Contract-related assets and liabilities

	Note	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Trade receivables	14	**3,328**	2,404
Contract assets – accrued income		**837**	306
Contract assets – deferred costs		**27**	416
Contract assets		**864**	722
Total contract-related assets		**4,192**	3,126
Contract liabilities – deferred income		**(7,505)**	(3,061)

No material expected credit losses were recognised against trade receivables and contract assets in either the current period or prior year. Further details regarding the composition of trade receivables can be found in Note 14.

The contract assets – accrued income – primarily relate to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, which is generally when work is invoiced.

The contract assets – deferred costs – relates to the cost to provide hardware to customers under evaluation agreements. The cost is deferred and recognised on a straight-line basis over the period of access as the customers' preferred technology performance attributes are verified under the agreement.

The contract liabilities – deferred income – primarily relate to invoices or consideration received in advance from customers. There are no significant financing components associated with deferred income. The increase in the current period compared with the prior year is primarily due to timing differences between revenue recognised on work performed and raising invoices to customers.

2. Revenue and segmental information continued

Revenue recognised in the current period that was included in the contract liabilities – deferred income – balance at the beginning of the period was £3,061,000 (12 months ended 30 June 2019: £664,000).

There were no significant amounts of revenue recognised in the 18 months ended 31 December 2020 arising from performance obligations satisfied in previous periods (12 months ended 30 June 2019: no significant amounts).

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract assets 2020 £'000	Contract liabilities 2020 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		**3,061**
Increases due to cash received, excluding amounts recognised as revenue during the period		**(7,505)**
Transfers from contract assets recognised at the beginning of the period to receivables	**(306)**	
Increases as a result of changes in the measure of progress	**837**	

	Contract assets 2019 £'000	Contract liabilities 2019 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		664
Increases due to cash received, excluding amounts recognised as revenue during the period		(2,792)
Transfers from contract assets recognised at the beginning of the period to receivables	(709)	
Increases as a result of changes in the measure of progress	306	

The revenue expected to be recognised in future years for evaluation and development, supply and licence agreements in respect of performance obligations that are unsatisfied (or partially unsatisfied) at the period end is:

	2021 £'000	2022 £'000	2023 £'000
Evaluation, development, supply and licence agreements	27,478	17,047	10,386

The comparatives as at 30 June 2019 are as follows:

	2020 £'000	2021 £'000	2022 £'000
Evaluation, development, supply and licence agreements	13,005	4,480	245

The above analysis excludes revenue which is contracted but contingent upon milestones or decision criteria which are at the customers' discretion.

The Company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

3. Loss before taxation

Research and development

The Group undertakes research and development activities either on its own behalf or in conjunction with customers.

Group and customer-funded expenditure on research, and on development activities not meeting the conditions for capitalisation (see Note 11), are written off as incurred and charged to the Consolidated Statement of Profit and Loss.

Government grants

Grants are recognised on a case-by-case basis. Revenue grants are recognised in the Consolidated Statement of Profit and Loss as other operating income as the related costs are incurred and expensed. The reimbursement of the cost of an item of plant and equipment or intangible by way of a capital grant is presented as deferred income and recognised in the Consolidated Statement of Profit and Loss as other operating income on a basis consistent with the depreciation or amortisation of the asset over its estimated useful life.

For grants with no technical milestones, and where recovery is reasonable, the grant is recognised on an accruals basis in order to match the associated expenditure with the grant income. For grants with technical milestones, these grants are held on the Consolidated Statement of Financial Position as deferred income and are recognised only when the relevant milestone has been achieved and the associated cash has been received.

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Operating costs are split as follows:		
Research and development costs	**27,820**	13,799
Administrative expenses	**10,060**	4,618
Commercial expenses	**2,386**	2,068
	40,266	20,485
Loss before taxation is stated after (crediting)/charging:		
Other operating income – grant income	**(1,305)**	(1,065)
RDEC tax credit	**(1,265)**	–
Staff costs, including share-based payments (Note 5)	**23,592**	11,507
Cost of inventories recognised as expense (Note 13)	**8,715**	2,635
Depreciation of property, plant and equipment (Note 9)	**3,820**	1,025
Depreciation of right of use assets (Note 10)	**776**	–
Amortisation of intangibles (Note 11)	**208**	13
Repairs expenditure on property, plant and equipment	**558**	478
Operating lease rentals payable – property, plant and machinery	**–**	680
Net change in fair value of financial instruments at fair value through profit or loss	**(55)**	42
Net foreign exchange loss	**139**	67

Services provided by the Group's auditor[1]

During the period the Group obtained the following services from the Group's auditor as detailed below:

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Fees payable to the Company's auditor for the audit of parent Company and consolidated financial statements	**20**	20
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries	**50**	53
– audit-related assurance services – review of interim financial results, including audit assurance	**75**	16
– audit-related assurance services – grants and awards	**38**	4
– taxation compliance services[2]	**58**	–
– other – training services provided to Group employees[2]	**34**	–
	275	93

1. The Group has changed auditor during the current financial period.
2. Taxation and training services were committed to prior to BDO's appointment as the Group's auditor. Following their appointment, the Group has not engaged BDO on any further such services.

4. Finance income

Interest income

Interest income is recognised in the Consolidated Statement of Profit and Loss in the period in which it is earned.

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Interest receivable on cash and cash equivalents, and investments	**989**	552

5. Employees and Directors

The average number of persons (including Executive Directors) employed by the Group during the period was:

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
By activity:		
Research and development	**135**	112
Prototype production	**89**	50
Administration	**39**	24
Commercial	**5**	5
	268	191

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Staff costs (for the above persons) comprised:		
Wages and salaries, including compensation for loss of office	**19,131**	8,974
Social security costs	**1,762**	958
Other pension costs (Note 6)	**1,321**	666
Share-based payments (Note 24)	**1,378**	909
	23,592	11,507

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Directors' emoluments:		
Aggregate emoluments	**1,281**	870
Company contributions to defined contribution pension schemes	**50**	33
Gain on exercise of share options and other share schemes[1,2]	**6,779**	200
	8,110	1,103

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Highest-paid Director:		
Aggregate emoluments	**537**	406
Company contributions to defined contribution pension schemes	**29**	18
Gain on exercise of share options and other share schemes[1]	**5,092**	29
	5,658	453

1. The gain on exercise of share options includes the gain on disposal of the plc shares, received on the sale of the ESS shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd, which were granted as a modification to the unexercised 2004 Employees' Share Scheme options in 2014. Further details on the ESS share scheme are provided in Note 24(a).
2. The Directors had LTIPs with a value of £10,537,155 exercisable as at 31 December 2020 (£nil exercisable as at 30 June 2019).

Two Directors (2019: two Directors) have retirement benefits accruing under defined contribution pension schemes.

Additional information on the emoluments of the directors, together with information regarding the share interests and share options of the directors, is included in the Remuneration report on pages 53 to 58, which form part of these audited financial statements.

Key management compensation

The Directors are of the opinion that the key management of the Group were the Executive Board and Non-Executive Directors. The key management compensation is summarised in the following table:

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000 *As restated*[1]
Salaries and other short-term employment benefits	**2,386**	1,469
Post-employment benefits	**102**	69
Share-based payments	**662**	605
	3,150	2,143

1. The Group's key management have been corrected from what was disclosed in the last period, to include all members of the Executive team and the Non-Executive Directors including the Chairman. In prior periods the Group only noted that the Chief Executive Officer, the Chief Financial Officer, the Chief Technology Officer, Chief Commercial Officer and the Chief Operating Officer were the key management. Prior period comparatives have been restated accordingly. The Key management compensation was previously disclosed as salaries and other short-term employment benefits of £1,230,000, post-employment benefits of £67,000 and share-based payments of £595,000.

6. Pensions

Pension scheme arrangements

The Group operates a defined contribution pension plan for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The plan is a post-employment benefit plan under which the Group pays fixed contributions during the employee's service and will have no legal or constructive obligation to pay amounts after the employee's service ends. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Profit and Loss in the period during which services are rendered by employees.

The pension charge represents contributions payable by the Group to the funds and amounted to £1,321,000 (2019: £666,000). A total of £148,000 was payable to the funds as at 31 December 2020 (30 June 2019: £103,000).

7. Taxation and deferred taxation

Taxation

The taxation credit for the period comprises current and deferred tax and any adjustment to tax payable or receivable in respect of previous years. Tax is recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax receivable is the expected tax receivable on the activities for the period, using tax rates enacted or substantively enacted at the period end. The current tax receivable represents the Directors' best estimate of tax due to the Group at the period end under the SME R&D tax credit regime.

Deferred taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
UK corporation tax	**(3,124)**	(2,292)
Foreign tax suffered	**798**	–
Adjustment in respect of prior periods	**(167)**	(246)
Taxation credit	**(2,493)**	(2,538)

No corporation tax liability has arisen during the period (2019: £nil) due to the losses incurred.

7. Taxation and deferred taxation continued

A tax credit has arisen as a result of expenditure surrendered and claimed under the SME R&D tax credit regimes in the current period and prior year. Foreign tax relates to withholding tax arising on licence income from China and South Korea.

The tax result for the period is different from the standard rate of small profits UK corporation tax of 19.00% (2019: 19.00%). The differences are explained below:

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Loss before taxation	**(17,309)**	(7,372)
Loss before taxation multiplied by the UK tax rate of 19.00% (2019: 19.00%)	**(3,289)**	(1,401)
Effects of:		
Losses carried forward	**3,627**	322
Enhanced tax deductions for R&D expenditure	**(2,486)**	(1,580)
Expenses not deductible	**164**	180
Fixed asset differences	**380**	(428)
Effect of overseas tax rates	**647**	–
Adjustment in respect of prior periods – R&D tax credit	**(167)**	(246)
Difference between R&D tax credit and small company tax rate	**1,044**	781
Tax on RDEC credit	**239**	–
Share option timing differences	**(2,652)**	(166)
Total taxation credit	**(2,493)**	(2,538)

Deferred taxation

Potential deferred tax assets have not been recognised but are set out below:

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Tax effect of temporary differences because of:		
Difference between capital allowances and depreciation	**(1,679)**	(1,211)
Deductions relating to share options	**(13,953)**	(938)
RDEC	**(455)**	–
Losses carried forward	**(16,973)**	(11,596)
	(33,060)	(13,745)

The deferred tax assets have not been recognised as the Directors consider that it is unlikely that the asset will be realised in the foreseeable future. The potential deferred tax assets are calculated using the estimated UK tax rate of 19% (2019: 17%). The gross amount of losses carried forward as at 31 December 2020 was £89.4m (30 June 2019: £68.2m), which do not have an expiry date.

8. Loss per share

Basic and diluted loss per £0.10 ordinary share of 9.12p for the 18 months ended 31 December 2020 (12 months ended 31 June 2019: 3.43p (adjusted)) is calculated by dividing the loss for the financial period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Given the losses during the period, there is no dilution of losses per share for the 18 months ended 31 December 2020 or for the 12 months ended 30 June 2019.

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Loss for the financial period/year attributable to shareholders	**(14,816)**	(4,834)
Weighted average number of shares in issue	**162,474,146**	140,956,490
Loss per £0.10 ordinary share (basic and diluted)	**(9.12)p**	(3.43)p

9. Property, plant and equipment

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes all expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated Statement of Profit and Loss during the financial period in which they are incurred. The Directors annually consider the need to impair these assets.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	Ten years or the lease term if shorter
Plant and machinery	Three to ten years
Computer equipment	Three years
Fixtures and fittings	Three to ten years
Motor vehicles	Three to five years

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of property, plant and equipment are reviewed on an ongoing basis for any indication of impairment. Where any indication of impairment exists, the recoverable value of the assets is estimated. An impairment loss is recognised in the Consolidated Statement of Profit and Loss whenever the carrying value of property, plant and equipment exceeds its recoverable amount.

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.

	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 July 2018	2,090	9,311	995	69	348	–	12,813
Additions	132	1,535	463	–	6,455	12	8,597
At 30 June 2019	2,222	10,846	1,458	69	6,803	12	21,410
Additions	708	5,904	603	35	1,780	–	9,030
Transfers	2,958	4,659	–	210	(7,827)	–	–
Disposals	(5)	–	–	–	–	–	(5)
At 31 December 2020	**5,883**	**21,409**	**2,061**	**314**	**756**	**12**	**30,435**
Accumulated depreciation							
At 1 July 2018	2,028	7,680	839	69	–	–	10,616
Charge for the year	68	798	159	–	–	–	1,025
At 30 June 2019	2,096	8,478	998	69	–	–	11,641
Charge for the period	621	2,718	400	80	–	1	3,820
Disposals	(5)	–	–	–	–	–	(5)
At 31 December 2020	**2,712**	**11,196**	**1,398**	**149**	**–**	**1**	**15,456**
Net book value							
At 31 December 2020	**3,171**	**10,213**	**663**	**165**	**756**	**11**	**14,979**
At 30 June 2019	126	2,368	460	–	6,803	12	9,769
At 30 June 2018	62	1,631	156	–	348	–	2,197

Assets under construction primarily comprised plant and machinery and leasehold improvements relating to the new manufacturing site. Leasehold improvements of £2,958,000, Plant and Machinery of £4,659,000 and Office equipment of £210,000 relating to the new factory have been transferred to the relevant categories within the period.

10. Right of use assets

The Group holds leases for premises and IT equipment with lease terms ranging from six months to ten years. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. i.e. these leases are recognised on the Consolidated Statement of Financial Position, other than for short-term leased plant and machinery (for details of the transition to IFRS 16 refer to Note 1).

Lease liabilities are initially measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate, estimated by management to be 10% at 1 July 2019. Subsequently, lease liabilities are measured by adjusting to reflect interest on the lease liability, reducing the liability to reflect lease payments made and to reflect any re-assessment or lease modifications, or revised in-substance fixed lease payments (refer to Note 20).

The associated right-of-use asset for property leases and other assets is initially measured at the amount equal to the lease liability adjusted for the amount of any prepaid or accrued lease payments relating to that lease. Subsequently, right-of-use assets are measured at cost less any accumulated depreciation and adjusted for any re-measurement of the lease liability.

Right-of-use assets are depreciated over the shorter of the lease term and the relevant useful economic life following the periods set out in the property, plant and equipment depreciation policy. Where the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated over its useful economic life.

Right-of-use assets are tested for impairment by applying IAS 36 'Impairment of Assets'.

	Land and Buildings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 July 2019	–	–	–
Additions as a result of IFRS 16	4,729	18	4,747
At 31 December 2020	**4,729**	**18**	**4,747**
Accumulated depreciation			
At 1 July 2019	–	–	–
Charge for the period	766	10	776
At 31 December 2020	**766**	**10**	**776**
Net book value			
At 31 December 2020	**3,963**	**8**	**3,971**
At 30 June 2019	–	–	–

11. Intangible assets

Research and development

Expenditure incurred on research and development is distinguished as relating to a research phase or development phase with reference to the Group's technology and product development process.

All research phase expenditure is recognised in the Consolidated Statement of Profit and Loss as an expense when incurred (see Note 3).

Development phase expenditure is capitalised from the point that all of the following conditions are met:

- the product or process under development is technically and commercially feasible;
- the Group intends to and has the technical ability and sufficient resources to complete the development;
- future economic benefits are probable; and
- the Group can measure reliably the expenditure attributable to the asset during its development.

Development phase activities involve a plan or design for the production of new or substantially improved products or processes in relation to the Group's core fuel cell and system technology and intellectual property. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalisation of development phase activities continues until the point at which the product or process under development meets its originally mandated technical specification. For product and process development, this is at the point where the production design version is approved or the development is completed.

Subsequent expenditure is capitalised where it enhances the functionality of the asset and demonstrably generates an enhanced economic benefit to the Group. All other subsequent expenditure on the product or process is expensed as incurred.

Where development activities are funded through Government Grants and the cost of those activities is capitalised under this policy, the grants received are considered Capital Grants and are presented as deferred income and recognised in the Consolidated Statement of Profit and Loss as other operating income on a basis consistent with the depreciation or amortisation of the asset over its estimated useful life.

Patent costs incurred in the procurement of patents in relevant territories are capitalised where the Group considers those patents relate to technology that is deemed to be commercially feasible. Other patent costs and costs to maintain patents once granted in those territories, are expensed to in the Consolidated Statement of Profit and Loss as incurred.

Subsequent to recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives and is presented within operating costs. The estimated useful lives are reviewed and adjusted as appropriate, at each balance sheet date. Intangible assets which are not yet available for use are tested for impairment at each balance sheet date.

The following useful lives are used in the calculation of amortisation:

Capitalised development	Two to seven years
Patent costs	Three to ten years

The carrying values of intangible assets are reviewed on an ongoing basis for any indication of impairment. Where any indication of impairment exists, the recoverable value of the assets is estimated. An impairment loss is recognised in the Consolidated Statement of Profit and Loss whenever the carrying value of an intangible asset exceeds its recoverable amount.

	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Patent costs £'000	Total £'000
Cost				
At 1 July 2018	47	–	–	47
Additions	187	1,101	–	1,288
At 30 June 2019	234	1,101	–	1,335
Additions	177	3,323	295	3,795
At 31 December 2020	**411**	**4,424**	**295**	**5,130**
Accumulated depreciation				
At 1 July 2018	–	–	–	–
Charge for the year	**–**	**13**	–	13
At 30 June 2019	–	13	–	13
Charge for the period	82	126	–	208
At 31 December 2020	**82**	**139**	**–**	**221**
Net book value				
At 31 December 2020	**329**	**4,285**	**295**	**4,909**
At 30 June 2019	234	1,088	–	1,322
At 30 June 2018	47	–	–	47

The customer and internal development intangible 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.

12. Subsidiary undertakings and Joint Ventures

Details of the Group's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Company
Ceres Power Ltd	England and Wales	£0.001 ordinary shares	100%[1]
Ceres Intellectual Property Company Ltd	England and Wales	£1.00 ordinary shares	100%[1]
Ceres Power Intermediate Holdings Ltd	England and Wales	£0.01 ordinary shares	100%
Ceres Power Licence Company Ltd	England and Wales	£1.00 ordinary shares	100%[1]

1. Ceres Power Ltd, Ceres Intellectual Property Company Ltd and Ceres Power Licence Company Ltd are 100% held directly by Ceres Power Intermediate Holdings Ltd.

The principal activity of Ceres Power Ltd is the commercialisation and continued development of the Group's fuel cell technology. The principal activity of Ceres Intellectual Property Company Ltd is the administration of registered intellectual property developed within the Group. The principal activity of Ceres Power Intermediate Holdings Ltd is as a holding company to the other Group companies and to manage the Group's cash, cash equivalents and investments.

On 2 September 2019, Ceres Power Licence Company Ltd was incorporated in England and Wales. The company is a 100% owned subsidiary of Ceres Power Intermediate Holdings Ltd. The principal activity of the company is the provision of overseas licence and royalty services.

The results of Ceres Power Ltd, Ceres Intellectual Property Company Ltd, Ceres Power Intermediate Holdings Ltd and Ceres Power Licence Company Ltd are included within these consolidated financial statements.

The registered address of Ceres Power Holdings plc and all subsidiary undertakings is Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX.

In December 2018 Ceres Power Holdings plc signed an agreement with Weichai Power Co. Ltd which set out the structure and terms for forming a Joint Venture in Weifang, Shandong Province, China, between the two parties. The purpose of the Joint Venture will be to research, develop, manufacture, market, sell and distribute licensed products within China. The Joint Venture is expected to be formed during the financial year ended 31 December 2021 and at the date of signing of these accounts the scope of the Joint Venture is under negotiation and also subject to meeting certain contractual milestones. The Group has committed to acquire a 49% equity stake in the Joint Venture for an initial investment of CNH 68m (£8m), however the final terms of the agreement have yet to be completed. The accounting treatment of the Joint Venture will be determined once agreed.

Under the expected arrangement, Ceres Power will receive future revenues from the Joint Venture for the use of its technology under licence as well as engineering service revenues and manufacturing and sales royalties.

The two parties are expected to make further investments in the Joint Venture over time.

13. Inventories

Inventories

Inventories consist of raw materials and finished goods.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material cost and, where applicable, direct labour costs and direct overheads that have been incurred. Cost is calculated using the first-in, first-out (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

	31 Dec 2020 £'000	30 June 2019 £'000
Current:		
Raw materials including work in progress	**1,854**	1,284
Finished goods	**253**	119
	2,107	1,403

Inventories in raw materials and finished goods have increased in line with an increase in manufacturing capacity in the period and management's decision to hold a greater volume of some raw materials as the UK approached withdrawal from the EU.

During the 18 months ended 31 December 2020, inventories of £8.7m (12 months ended 30 June 2019: £2.6m) were recognised as an expense and included in cost of sales.

14. Trade and other receivables

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently held at amortised cost using the effective interest method, less loss allowances. Loss allowances are calculated using the simplified approach to determine expected credit losses, taking into account both historical payment profiles and any credit losses experienced, together with forward-looking macroeconomic factors. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable. Payment terms generally range between 30 and 60 days depending on the customer.

Although the Group's past experience of significant credit losses on these assets has been negligible, the impairment assessment performed by the Group considers both past experience and future expectations of credit losses. As a result of this assessment, the Group considers the risk of expected credit losses on trade receivables and contract assets to be immaterial. Further details on this assessment are provided in Note 19.

	31 Dec 2020 £'000	30 June 2019 £'000
Current:		
Trade receivables	**3,328**	2,404
Other receivables	**2,242**	1,800
	5,570	4,204
Non-current:		
Other receivables	**741**	741

Other receivables primarily consist of amounts invoiced and recoverable in respect of grants, rent deposits, VAT and the RDEC tax credit. There is no material difference between the fair value of trade and other receivables and their carrying values and they are not materially overdue at the period end. There are no expected credit losses and no provisions for impairment of receivables have been recognised during the 18 months ended 31 December 2020 (12 months ended 30 June 2019: £nil). The carrying amounts of the Group's trade and other receivables are primarily denominated in pounds sterling, euros and US dollars (as set out in Note 19).

15. Other current assets

	31 Dec 2020 £'000	30 June 2019 £'000
Current:		
Prepayments	**648**	523
Prepayment of capital expenditure	**–**	409
Accrued interest income	**129**	359
Accrued other income	**225**	206
	1,002	1,497

Accrued interest consists of interest receivable on short-term and long-term bank deposits, the carrying value of accrued interest is classified at amortised cost which approximates to fair value. Accrued other income relates to consideration for work completed on grant-funded contracts but not billed at the reporting date. The accrued other income is transferred to other receivables when the rights become unconditional. Prepayment of capital expenditure relates to instalment payments made to suppliers of plant and equipment assets which were under construction but undelivered at the balance sheet date.

16. Cash, cash equivalents and investments

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, pooled money market funds and short-term deposits with an original maturity of less than or equal to one month.

Long-term investments

This includes long-term bank deposits with a maturity greater than 12 months as at the date of the consolidated statement of financial position.

	31 Dec 2020 £'000	30 June 2019 £'000
Long-term bank deposits greater than 12 months	**8,000**	–

16. Cash, cash equivalents and investments continued

Short-term investments

These include short-term bank deposits with an original maturity greater than one month and a maturity as at the date of the consolidated statement of financial position of less than or equal to 12 months.

	31 Dec 2020 £'000	30 June 2019 £'000
Cash at bank and in hand	**20,684**	1,502
Money market funds	**12,271**	6,065
Cash and cash equivalents	**32,955**	7,567
Short-term bank deposits greater than one month and less than 12 months	**69,231**	63,700
	102,186	71,267

The Group holds surplus funds in accordance with the treasury policy, as set out in Note 19.

	Interest rate type	31 Dec 2020 £'000	30 June 2019 £'000
Interest rate risk profile of the Group's financial assets:			
Cash at bank and in hand	Floating	**20,684**	1,502
Money market funds	Floating	**12,271**	6,065
Short-term bank deposits greater than one month and less than or equal to 12 months	Fixed and floating	**69,231**	63,700
Long-term bank deposits greater than 12 months	Fixed	**8,000**	–
		110,186	71,267

During the 18 months ended 31 December 2020 the fixed rate short-term bank deposits were primarily designated in pounds sterling, had terms of between 32 days and 12 months and earned interest of between 0.10% and 1.28%. Also included in short-term bank deposit was a deposit of CNH68m (c.£8m) with a term of 3 months earning interest of approx. 1.9%. The fixed rate long-term bank deposit in pounds sterling has a term of 18 months and earned interest of 0.58%. Floating rate cash deposits, money market funds and other bank deposits earned interest based on relevant UK LIBID-related equivalents. The credit quality of financial assets has been assessed by reference to external credit ratings.

17. Trade and other payables

Trade and other payables

Trade payables are initially recognised at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method.

	31 Dec 2020 £'000	30 June 2019 £'000
Current:		
Trade payables	**1,752**	2,255
Taxation and social security	**713**	–
Other payables	**6,647**	110
	9,112	2,365

Other payables include timing differences on payments relating to the exercise of certain share options in December 2020. These amounts were paid in January 2021.

18. Other liabilities

	31 Dec 2020 £'000	30 June 2019 £'000
Current:		
Accruals	**1,464**	1,838
Deferred income	**1,211**	–
	2,675	1,838
Non-current:		
Accruals	**–**	323

Accruals are recognised at invoiced cost. There is no material difference between the invoiced value and the value calculated on an amortised cost basis or fair value. Deferred income consists of grant income deferred in relation to associated development costs which have been capitalised as an intangible asset. Grant income is recognised in the Consolidated Statement of Profit and Loss in the same period as the expenditure to which the grant relates.

19. Financial instruments

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses forward contracts, and in limited circumstances options, to hedge against foreign currency-denominated income and expenditure commitments. The use of financial derivatives is governed by the Group's treasury policy, as approved by the Board. The Group does not use derivative financial instruments for speculative purposes. Details of financial instruments are shown later in this note.

Derivative financial instruments are recognised at fair value. The gains or losses on remeasurement to fair value are recognised immediately in the Consolidated Statement of Profit and Loss as they arise and are shown in Note 3.

The Group only uses derivative financial instruments to hedge foreign currency exposures which arise from an underlying current or anticipated business requirement. The Group does not currently use derivative instruments to manage its interest rate risk. The Group does not trade in financial instruments.

Fair values of financial assets and financial liabilities

There is no difference between the fair value and the carrying value of the Group's financial assets and financial liabilities. Carrying value approximates to fair value because of the short maturity periods of these financial instruments.

The fair value of the forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of currency options is estimated using the Black–Scholes pricing model based on the strike price with reference to the future exchange rate, spot rate and risk-free interest rate. Forward exchange contracts and options are included in the Level 2 classification.

Other than the forward contracts and options noted below, none of the Group's assets and liabilities were measured at fair value at 31 December 2020 (30 June 2019: none).

The fair values of all financial assets and financial liabilities by class, together with their carrying amounts shown in the balance sheet, are as follows:

	Fair value hierarchy	**Carrying amount 2020 £'000**	**Fair value 2020 £'000**	Carrying amount 2019 £'000	Fair value 2019 £'000
Financial assets at amortised cost					
Trade and other receivables		**6,311**	**6,311**	4,945	4,945
Cash, cash equivalents and investments		**110,186**	**110,186**	71,267	71,267
Financial assets measured at fair value through profit or loss					
Forward exchange contracts	Level 2	**55**	**55**	3	3
Currency options	Level 2	**4**	**4**	25	25
Financial liabilities measured at amortised cost					
Trade and other payables and accruals		**(9,863)**	**(9,863)**	(4,526)	(4,526)
Financial liabilities measured at fair value through profit or loss					
Forward exchange contracts	Level 2	**(9)**	**(9)**	(7)	(7)
Non-deliverable forward contracts	Level 2	**(32)**	**(32)**	–	–
Currency options	Level 2	**(2)**	**(2)**	(59)	(59)
Total financial instruments		**106,650**	**106,650**	71,648	71,648

19. Financial instruments continued

Financial risk management

The Group's operations expose it to a variety of financial risks that include credit risk and market risk arising from changes to interest rates and foreign currency exchange rates. The Board reviews and agrees policies for managing each of these risks.

The principal risks addressed are as follows:

Credit risk

The Group's exposure to credit risk arises from holdings of cash, cash equivalents and investments, and if a counterparty or customer fails to meet its contractual obligations.

The Group's primary objective to manage credit risk from its holdings of cash, cash equivalents and investments is to minimise the risk of a loss of capital and eliminate loss of liquidity having a detrimental effect on the business. The Group places surplus funds of no more than £10 million per institution into pooled money market funds with same-day access and bank deposits with durations of up to 24 months. During the period the Group's treasury policy restricted investments in short-term 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.

Trade receivables at the period end relate to four customers (30 June 2019: six) of which £2,377,000 relates to the Europe geographic region, £nil to North America and £951,000 to Asia (30 June 2019: £1,818,000 related to the Europe geographic region, £84,000 to North America and £502,000 to Asia).

Contract assets at the period end related to three customers of which £170,000 relates to the Europe geographic region, £nil to North America and £667,000 to Asia (30 June 2019: related to three customers of which £49,000 relates to the Europe geographic region, £86,000 to North America and £171,000 to Asia).

The Group's customers are large multinational companies or research institutions and are consequentially not considered to add significantly to the Group's credit risk exposure. All trade receivables are due within the agreed credit terms for the current period and preceding year and are consequently stated at cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other contract assets (primarily unbilled work in progress).

To measure expected credit losses, trade receivables and other contract assets are analysed based on their credit risk characteristics including days past due and the specific payment profile of the customer to determine a suitable historical loss rate. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors that the Group considers could affect the ability of its customers to settle the receivables.

The Group has followed this approach as at 31 December 2020 and as a result has not recognised a loss allowance for trade receivables or other contract assets (30 June 2019: no loss allowance). Management does not consider that a reasonably possible change in the estimation of expected credit losses would have a material impact on the results of the following year.

Interest rate risk

Interest rate risk on the Group's liabilities is minimal.

The Group's finance income is sensitive to changes in interest rates. A change of 0.5% in interest rates would have impacted the finance income by £200,000 for the 18 months ended 31 December 2020 (for the 12 months ended 30 June 2019 a change of 0.5% in interest rates would have impacted the finance income by £150,000). This analysis considers the effect of financial instruments with variable interest rates. The increase in sensitivity to interest rate changes is driven by the increase in cash, cash equivalents and investments held at the balance sheet date. Interest rate risk is mitigated by investing in deposit accounts of different durations ranging from 32 days to 24 months.

Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its financial obligations. The Group manages its liquidity needs by preparing cash flow forecasts, including forecasting of the Group's liquidity requirements, to ensure the Group has sufficient cash to meet its operational needs.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	31 Dec 2020 £'000						30 June 2019 £'000			
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	>5 years years £'000	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000
Non-derivative financial liabilities										
Trade and other payables and accruals	**(11,787)**	**(11,787)**	**(11,787)**	**–**	**–**	**–**	(4,526)	(4,526)	(4,203)	(323)
Lease liabilities	**(4,445)**	**(6,111)**	**(823)**	**(817)**	**(2,447)**	**(2,024)**	–	–	–	–
Derivative financial liabilities										
Forward exchange contracts:										
(Outflow)	**(9)**	**(244)**	**(244)**	**–**	**–**	**–**	(7)	(151)	(151)	–
Inflow	**–**	**238**	**238**	**–**	**–**	**–**	–	147	147	–
Currency options:										
(Outflow)	**–**	**–**	**–**	**–**	**–**	**–**	(59)	(2,651)	(2,651)	–
Inflow	**–**	**–**	**–**	**–**	**–**	**–**	–	2,684	2,684	–

Foreign currency exposures

The Group's primary transaction currency is pound sterling. Exposures to foreign currency-denominated contracted receivables and commitments arise from the Group's overseas sales and purchases, which are primarily denominated in euros, US dollars, Canadian dollars and Japanese yen. During the period, the Group entered into a fixed term deposit denominated in Chinese renminbi, to fund the expected initial investment of CNH68m (c.£8m) in the Joint Venture (under agreement with Weichei Power Co. Ltd) due in 2021.

The Group seeks to mitigate its foreign currency exposure by entering into forward currency exchange contracts, and in limited circumstances, currency options in accordance with the Group's treasury policy. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward currency exchange contracts and options are primarily entered into for significant foreign currency exposures that are not expected to be offset by other currency transactions. The Group's objectives and policies are largely unchanged in the reporting periods under review.

The table below shows the extent to which the Group has monetary assets and liabilities in currencies other than pounds sterling. Foreign exchange differences arising on the retranslation of these monetary assets and liabilities are taken to the Consolidated Statement of Profit and Loss.

31 December 2020	Euro £'000	US dollar £'000	Canadian dollar £'000	Japanese yen £'000	Chinese renminbi £'000	Other £'000
Exposures to foreign currency risk:						
Cash and cash equivalents	**897**	**83**	**75**	**36**	**–**	**26**
Fixed term bank deposits	**–**	**–**	**–**	**–**	**7,774**	**–**
Trade receivables	**1,186**	**–**	**–**	**–**	**–**	**–**
Trade payables and payments on account	**(408)**	**53**	**–**	**–**	**–**	**(19)**
Other payables	**–**	**–**	**(903)**	**–**	**–**	**–**
Forward exchange contracts – foreign currency (outflow)/inflow	**(3,978)**	**112**	**58**	**68**	**–**	**–**
Balance sheet exposure	**(2,303)**	**248**	**(770)**	**104**	**7,774**	**7**

19. Financial instruments continued

30 June 2019	Euro £'000	US dollar £'000	Canadian dollar £'000	Japanese yen £'000	Other £'000
Exposures to foreign currency risk:					
Cash and cash equivalents	3	7	75	41	33
Trade receivables	1,818	84	–	–	–
Trade payables	(186)	(451)	–	(27)	(49)
Forward exchange contracts – foreign currency (outflow)/inflow	(423)	315	297	(73)	–
Currency options – foreign currency outflow	(2,673)	–	–	–	–
Balance sheet exposure	(1,461)	(45)	372	(59)	(16)

A 10% weakening of the following currencies against pound sterling at 31 December 2020 (or 30 June 2019) would have resulted in a profit or loss charge to the Consolidated Statement of Profit and Loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing 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 the comparative period.

	Profit or (loss)	
	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
Euro	**(152)**	(162)
US dollar	**(12)**	(5)
Canadian dollar	**75**	41
Japanese yen	**(2)**	(7)
Chinese Renminbi	**(707)**	–
Other	**–**	(2)

A 10% strengthening of the above currencies against pound sterling at 31 December 2020 (or 30 June 2019) 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.

20. Lease Liabilities

The Group leases certain assets under lease agreements. The lease liability consists of leases of land and buildings and computer equipment. The leases expire between March 2022 and November 2028. Full details of the accounting policy under which lease are recognised is detailed in Note 10.

	£'000
Balance as at 1 July 2019	–
Leases recognised as a result of IFRS 16	4,971
Lease payments	(1,190)
Interest expense	664
Balance as at 31 December 2020	**4,445**

Current	823
Non-current	3,622

Lease liability contractual maturities (representing undiscounted contractual cash-flows) are set out in Note 19.

21. Provisions

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation where relevant.

Property dilapidations

Provisions have been made for future dilapidation costs on the leased properties. This provision is the Directors' best estimate as the actual costs and timing of future cash flows are dependent on future events and are updated periodically. The estimate is supported by advice received from professional advisors. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Warranties

As at the year end, only a small proportion of technology hardware supplied or sold to customers was provided with contractual warranties. The majority of technology hardware supplied or sold to customers has been provided without contractual warranties, however where a constructive obligation is considered to have been created through an expectation or past practice, a provision for the associated costs of future claims has been included at the year end. The Group recognises a provision for both contractual and constructive obligation warranties when the underlying products and services are sold. The provision is based on the past performance of the technology hardware, management's knowledge, customer expectations and a weighting of possible outcomes against their associated probabilities.

Contract losses

The Group holds provisions for expected contractual costs that it expects to incur over the life of the contract. Management exercises judgement to determine the value of the costs to be incurred and the amount of the provision to be made. Each provision is considered separately and the amount provided reflects the best estimate of the most likely amount to be incurred. Provision is made when the contractual or constructive obligation occurs. The provision is released to the Consolidated Statement of Profit and Loss over time or at the point in time that the actual costs are incurred.

The movement in provisions charged to the Consolidated Statement of Profit and Loss for the 18 months ended 31 December 2020 is set out below along with the value of provisions at 31 December 2020:

	Property dilapidations £'000	Warranties £'000	Contract losses £'000	Total £'000
At 1 July 2019	992	93	65	1,150
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	–	–	(65)	(65)
Increase in provision	618	325	194	1,137
At 31 December 2020	**1,610**	**418**	**194**	**2,222**
Current	–	418	194	612
Non-current	1,610	–	–	1,610
At 31 December 2020	**1,610**	**418**	**194**	**2,222**

The dilapidation provision at 31 December 2020 represents the present value of costs to be incurred, which is materially the same as the expected costs to be incurred, in making good the Group's leasehold properties at the break points of the leases in approximately three to four years' time. The main uncertainty relates to estimating the cost that will be incurred at the end of the respective leases. The increase in the dilapidation provision relates in part to the new manufacturing plant brought into operation in January 2020.

The warranty provision at the period end is primarily the result of a constructive obligation and reflects the Directors' best estimate of the cost required to fulfil these obligations with respect to a number of the Group's contracts. Subsequent to their initial recognition, warranty provisions are utilised or released over the periods of the various warranty obligations, which are expected to be less than two years. There are several areas of uncertainty supporting the provision, including determining the amount of hardware that may require fixing or replacing and respective timing as manufacturing costs are expected to reduce over time. In addition, as most of the Group's warranty provisions relate to constructive rather than contractual obligation and there is little history of warranty claims with the Group's current customers, any final warranty obligation will be subject to negotiation with the respective customer.

Contract loss provisions as at 31 June 2019 related to expected losses to be incurred in respect of two of the Group's contracts. During the 18-month period to 31 December 2020, one of these contracts ended resulting in the carrying amount of the provision being reversed and recognised in the Consolidated Statement of Profit and Loss. As at 31 December 2020, the contract loss provision relates to one contract for the provision of technology hardware which is expected to be substantially utilised during 2021. The main uncertainties relate to the timing of hardware delivery and the underlying manufacturing costs which are expected to reduce over time as the Group's production facility matures.

22. Share capital

	31 Dec 2020 £'000		30 June 2019 £'000		
	Number of £0.10 Ordinary shares	**£'000**	Number of £0.01 Ordinary shares	Number of £0.10 Ordinary shares	£'000
Allotted and fully paid					
At 1 July	**152,769,812**	**15,277**	1,016,269,193	–	10,163
Allotted £0.01 Ordinary shares on exercise of employee share options	**–**	**–**	6,041,441	–	60
27 July 2018 – Allotted £0.01 Ordinary shares on cash placing	**–**	**–**	260,952,296	–	2,609
7 August 2018 – 1-for-10 share consolidation	**–**	**–**	(1,283,262,930)	128,326,293	–
Allotted £0.10 Ordinary shares on exercise of employee share options	**4,024,665**	**402**	–	926,155	93
Allotted £0.10 Ordinary shares on cash placing (see below)	**15,377,050**	**1,538**	–	23,517,364	2,352
At 31 December 2020/30 June 2019	**172,171,527**	**17,217**	–	152,769,812	15,277

During the 18 months ended 31 December 2020, 4,024,665 ordinary £0.10 shares were allotted for cash consideration of £1,581,148 on the exercise of employee share options (12 months ended 30 June 2019: 6,041,441 ordinary £0.01 shares were allotted for cash consideration of £308,000 and 926,155 ordinary £0.10 shares for cash consideration of £489,000) (see Note 24).

On 12 March 2020, the Company completed an allotment of 11,888,070 ordinary £0.10 shares in respect of the Bosch strategic investment, announced via the Regulatory News Service (RNS) on 22 January 2020 for £38,041,824 and on 15 April 2020 the Company completed an allotment of 3,488,980 ordinary £0.10 shares for £11,164,736 in respect of Weichai exercising its anti-dilution rights, this was announced via the RNS on 23 March 2020.

On 27 July 2018, the Company completed the allotment of 260,952,269 ordinary £0.01 shares for gross cash consideration of £39,352,000. The allotment was in respect of the Weichai Power strategic investment, announced via the Regulatory News Service (RNS) on 16 May 2019, for 128,326,275 ordinary £0.01 shares, and the placing of 132,625,994 ordinary £0.01 shares to existing and new institutional investors.

On 7 August 2018, Ceres Power Holdings plc completed a 1-for-10 share consolidation, where every ten existing ordinary shares of 1p each in the Company were consolidated into one ordinary share of 10p each. All outstanding equity instruments, including employee share options and the aforementioned Weichai Power option, were amended as a result of this consolidation.

Following the share consolidation, the Company completed the following allotments:

- 5,973,660 ordinary £0.10 shares to Robert Bosch GmbH for cash consideration of £9,008,279 on 25 September 2018;
- 663,740 ordinary £0.10 shares to Weichai Power for cash consideration of £1,000,920 on 5 October 2018; and
- The exercise of an option issued to Weichai Power, and approved by shareholders on 20 July 2018: 16,879,964 ordinary £0.10 shares for cash consideration of £27,767,541 on 14 December 2018.

23. 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.

24. Share options

Share-based payments

The Group has a number of employee and executive share option and award schemes under which it makes equity-settled share-based payments.

The fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. The fair value of the share-based payment, determined at the grant date, is measured to reflect vesting and non-vesting conditions and for market-related vesting conditions there is no true-up for differences between expected and actual outcomes.

Where the parent Company grants options over its own shares to the employees of the Group, these are accounted for as equity-settled in the consolidated accounts of the Group.

On 7 August 2018, Ceres Power Holdings plc completed a 1-for-10 share consolidation, where every ten existing ordinary shares of 1p each in the Company were consolidated into one ordinary share of 10p each. All outstanding capital instruments including employee share options were amended as a result of this consolidation. All opening balances and transactions processed before this date have been adjusted to reflect the new share capital structure of ordinary shares of £0.10 each.

The total charge recognised in the 18 months ended 31 December 2020 relating to employee share-based payments was £1,378,000 (12 months ended 30 June 2019: £909,000).

The Company has a number of share option schemes and savings-related share option plans for its employees and a separate historical scheme for Executive Directors.

	18 months ended 31 Dec 2020 £'000	12 months ended 30 June 2019 £'000
a) 2004 Employees' share option scheme	**39**	117
b) Sharesave schemes	**317**	108
c) Long Term Incentive Plan (LTIP)	**1,022**	684
d) Executive Directors' one-off award	**–**	–
	1,378	909

a) 2004 Employees' share option scheme

In previous years the Company issued share options under this scheme for Directors and employees, under which approved and unapproved share options were granted. The Company adopted the "Ceres Power Holdings Ltd 2004 Employees' share option scheme" at the time of listing in November 2004.

Under this scheme, Directors and employees hold options to subscribe for £0.10 ordinary shares in Ceres Power Holdings plc at prices ranging from £0.10 to the closing mid-market price on the day preceding the share option grant. All options are equity-settled. The vesting period for all options is generally between three and six years. If the options remain unexercised after a period of ten years from the date of the grant, the options expire. Options are forfeited if the employee chooses to leave the Group before the options vest.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	18 months ended 31 Dec 2020 £'000		12 months ended 30 June 2019 £'000	
	Number ('000)	**Weighted average exercise price**	Adjusted Number ('000)	Adjusted Weighted average exercise price
Outstanding at 1 July	**5,808**	**£0.49**	6,633	£0.65
Granted	**–**	**–**	–	–
Exercised	**(3,073)**	**£0.64**	(825)	£0.57
Lapsed	**(310)**	**£0.86**	–	–
Outstanding at 31 December / 30 June	**2,425**	**£0.66**	5,808	£0.49
Exercisable	**2,425**	**£0.66**	4,782	£0.58

The weighted average share price on the exercise date of options was £4.64 (2019: £1.62).

24. Share options continued

The range of exercise prices for options outstanding at the end of the period is as follows:

	18 months ended 31 Dec 2020 £'000		12 months ended 30 June 2019 £'000	
Expiry date – 31 December/ 30 June	Number ('000)	Weighted average exercise price	Adjusted Number ('000)	Adjusted Weighted average exercise price
2022	**75**	**£0.10**	–	–
2023	**1,166**	**£0.50**	1,802	£0.24
2024	**1,002**	**£0.83**	1,864	£0.84
2025	**105**	**£0.86**	1,698	£0.85
2026	**27**	**£0.55**	394	£0.85
2027	**50**	**£1.35**	–	–
2028	**–**	**–**	50	£1.35

The options outstanding at the end of the period have a weighted average contractual life of 3.04 years (2019: 4.57 years).

During the 2016 and 2014 years, certain option-holders under the 2004 share option scheme were awarded Employee Shareholder Status (ESS) shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd. The ESS shares were granted as a modification to the unexercised 2004 Employees' share scheme options providing the relevant employees with additional exercise rights. The issue of the ESS shares has not changed the vesting period or exercise price of the unexercised 2004 Employees' share scheme options granted. The total fair value charge of these options remains unchanged and the gross benefit received cannot exceed the gain realisable under the original share options and it cannot be received at an earlier time. Shares granted in Ceres Power Intermediate Holdings Ltd under the ESS scheme have minimal rights attached to them.

b) Sharesave scheme

During 2019 a new HMRC-approved savings-related share option scheme was implemented, under which employees save on a monthly basis, over a three-year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is set at a 20% discount to the market price. The options must be exercised within six months of maturity of the savings contract, otherwise they lapse.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	18 months ended 31 Dec 2020 £'000		12 months ended 30 June 2019 £'000	
	Number ('000)	Weighted average exercise price	Adjusted Number ('000)	Adjusted Weighted average exercise price
Outstanding at 1 July	**1,092**	**£0.68**	1,215	£0.61
Granted	**324**	**£1.95**	582	£1.27
Exercised	**(271)**	**£0.63**	(705)	£0.46
Lapsed/cancelled	**(103)**	**£1.16**	–	–
Outstanding at 31 December / 30 June	**1,042**	**£1.43**	1,092	£0.68
Exercisable	**–**	**–**	56	£0.43

The weighted average share price on the exercise date of options was £4.00 (2019: £1.73).

The weighted average fair value of options granted in the period was £1.09 (2019: £0.71).

The expiry dates of options outstanding at the end of the period are as follows:

	18 months ended 31 Dec 2020 £'000		12 months ended 30 June 2019 £'000	
Expiry date – 31 December / 30 June	Number ('000)	Weighted average exercise price	Adjusted Number ('000)	Adjusted Weighted average exercise price
2020	**–**	**–**	56	£0.43
2021	**202**	**£1.06**	227	£0.67
2022	**523**	**£1.27**	227	£1.06
2023	**317**	**£1.95**	582	£1.27

The options outstanding at the end of the period have a weighted average contractual life of 1.86 years (2019: 2.53 years).

c) LTIP

During 2016 a Long Term Incentive Plan (LTIP) was implemented by the Remuneration Committee. Participation in the LTIP is at the invitation of the Committee and is intended to be used to incentivise the performance and retention of the Company's Executives and certain key employees.

The maximum awards for all participants are determined by the Remuneration Committee with appropriate input from independent advisors. Performance is based on achieving targets. Targets are major milestones which are aligned to the Group's strategic plan and also a sliding scale of Total Shareholder Return (TSR), which is measured over a period of three years with an additional holding period of two years for Executives. Malus, hold and clawback conditions apply.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	18 months ended 31 Dec 2020 £'000		12 months ended 30 June 2019 £'000	
	Number ('000)	**Weighted average exercise price**	Adjusted Number ('000)	Adjusted Weighted average exercise price
Outstanding at 1 July	**3,354**	**£0.10**	2,633	£0.10
Granted	**1,923**	**£0.10**	891	£0.10
Exercised	**(521)**	**£0.10**	–	–
Lapsed	**(441)**	**£0.10**	(170)	£0.10
Outstanding at 31 December / 30 June	**4,315**	**£0.10**	3,354	£0.10
Exercisable	**1,696**	**£0.10**	345	£0.10

The weighted average fair value of options granted in the period was £3.17 (2019: £1.00).

The weighted average share price on the exercise date of options was £4.27.

The expiry dates of options outstanding at the end of the period are as follows:

	18 months ended 31 Dec 2020 £'000		12 months ended 30 June 2019 £'000	
Expiry date – 31 December / 30 June	**Number ('000)**	**Weighted average exercise price**	Adjusted Number ('000)	Adjusted Weighted average exercise price
2026	**1,253**	**£0.10**	345	£0.10
2027	**442**	**£0.10**	1,664	£0.10
2028	**787**	**£0.10**	454	£0.10
2029	**1,120**	**£0.10**	891	£0.10
2030	**713**	**£0.10**	–	–

The options outstanding at the end of the period have a weighted average contractual life of 7.68 years (2019: 7.90 years).

d) Executive Directors' one-off award

	18 months ended 31 Dec 2020 £'000		12 months ended 30 June 2019 £'000	
	Number ('000)	**Weighted average exercise price**	Adjusted Number ('000)	Adjusted Weighted average exercise price
Outstanding at 1 July	**21**	**£20.00**	180	£20.00
Lapsed	**(21)**	**£20.00**	(159)	£20.00
Outstanding at 31 December / 30 June	**–**	**–**	21	£20.00
Exercisable	**–**	**–**	21	£20.00

24. Share options continued

The expiry dates of options outstanding at the end of the period are as follows:

	18 months ended 31 Dec 2020 £'000		12 months ended 30 June 2019 £'000	
Expiry date – 30 June	Number ('000)	Weighted average exercise price	Adjusted Number ('000)	Adjusted Weighted average exercise price
2020	–	–	21	£20.00

The weighted average contractual life was 0.2 years at the 30 June 2019. All options lapsed during the period and there were no outstanding options as at 31 December 2020.

Assumptions

The fair values of the 2004 and Sharesave schemes were measured by use of the Black–Scholes pricing model. The inputs to the Black–Scholes model were as follows:

Grant date	Sharesave scheme 2020 22 January 2020	Sharesave scheme 2019 29 April 2019	Adjusted Sharesave scheme 2018 6 December 2017	Adjusted 2004 Scheme 2018 5 October 2017
Share price at date of grant (£)	**2.440**	**1.583**	1.330	1.350
Exercise price (£)	**1.95**	**1.266**	1.060	1.350
Expected volatility (%)	**53%**	**53%**	55%	56%
Expected option life (years)	**3.25 years**	**3.25 years**	3.25 years	Up to 5 years
Average risk-free interest rate (%)	**1.00%**	**1.00%**	1.75%	1.75%
Expected dividend yield	**Nil**	**Nil**	Nil	Nil

The exercise prices of options are stated above. The expected life of the options is based on the best estimate of the average number of years expected from grant to exercise. The expected volatility is based on historical volatility of the Company's shares since the Company restructured in 2012. The risk-free rate of return is management's estimate of the yield on zero-coupon UK Government bonds of a term consistent with the expected option life.

The fair values of the LTIP schemes were measured using a binomial pricing model and Monte Carlo simulation model respectively.

The inputs to the Monte Carlo simulation model were as follows:

Grant date	LTIP 2020 (2) 10-21 December 2020	LTIP 2020 (1) 10 October 2019	LTIP 2019 10 October 2018	Adjusted LTIP 2018 5 October 2017
Share price at date of grant (£)	**10.52–11.56**	**2.16**	1.885	1.350
Exercise price (£)	**0.1**	**0.1**	0.10	0.10
Expected volatility (%)	**31%**	**21%**	54%	56%
Expected option life (years)	**up to 7 years**	**up to 7 years**	Up to 7 years	Up to 7 years
Average risk-free interest rate (%)	**1.00%**	**1.00%**	1.75%	1.75%
Expected dividend yield	**Nil**	**Nil**	Nil	Nil

25. Events after the balance sheet date

On 17 March 2021, the Group proposed to raise additional funding of £181m from the equity markets to invest in our SOFC business for growth into new applications and expanding to electrolysis.

26. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £1,142,000 as at 31 December 2020 (30 June 2019: £1,116,000), in respect of the acquisition of property, plant and equipment.

27. Related party transactions

As at 30 June 2019, the Group's related parties were its Directors and IP Group plc, through IP2IPO Ltd, which held 19.8% of the Group's issued share capital. On 21 May 2020, IP Group plc reduced its holding to 5.1% of the issued share capital, and on 11 June 2020 Alan Aubrey stepped down from his role as Chairman. As a result of Alan stepping down as Chairman, Ceres determined that IP Group plc ceased to be a related party from 11 June 2020. Since this date, IP Group plc has sold all its remaining shares.

Alan Aubrey and Robert Trezona continued to serve in their roles as Non-Executive Directors until 28 September 2020. Compensation paid to the Group's Directors is disclosed in the Remuneration Committee Report on page 53. As at 31 December 2020, the Group owed £3,858,851 to Phil Caldwell and £1,185,943 to Richard Preston in respect of share options which had been exercised and sold during the period. Transactions with IP Group plc during the period 1 July 2019 until 11 June 2020 amounted to £60,978 (2019: £83,000) comprising primarily of Non-Executive Director fees of £37,912 (2019: £40,000), disbursements and other expenses of £8,065 (2019: £3,000), recruitment fees £15,000 (2019: £20,000), and corporate finance fees of £nil (2019: £20,000). There was no outstanding balance due as at 31 December 2020 (30 June 2019: £nil).

In the 18 months ended 31 December 2020, the following Directors exercised share options:

Date of exercise	Name	Relationship	Type of shares	Total number of options exercised[1]	Weighted average market price at exercise	Total gain on exercise	Number of shares retained
30 October 2019	Phil Caldwell	Director and shareholder	£0.10 ordinary shares	249,637	£2.112	£314,172	nil
30 October 2019	Richard Preston	Director and shareholder	£0.10 ordinary shares	92,875	£2.112	£186,883	nil
4 February 2020	Phil Caldwell	Director and shareholder	£0.10 ordinary shares	242,497	£3.989	£760,107	nil
4 February 2020	Richard Preston	Director and shareholder	£0.10 ordinary shares	75,000	£3.989	£285,731	nil
6 February 2020	Phil Caldwell	Director and shareholder	£0.10 ordinary shares	116,631	£4.055	£373,359	nil
1 April 2020	Phil Caldwell	Director and shareholder	£0.10 ordinary shares	13,636	£3.510	£38,863	13,636
10 December 2020	Phil Caldwell	Director and shareholder	£0.10 ordinary shares	387,007	£10.171	£3,605,620	nil
10 December 2020	Richard Preston	Director and shareholder	£0.10 ordinary shares	131,784	£10.171	£1,214,260	nil

1. The number of options exercised includes a number of shares sold in Ceres Power Holdings plc which were granted to Phil Caldwell and Richard Preston on the sale of Employee Shareholder Status (ESS) shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd, which were granted as a modification to the unexercised 2004 Employees' Share Scheme options in 2014.

In the prior year the following Directors exercised share options:

Date of exercise	Name	Relationship	Type of shares	Total number of options exercised[1]	Weighted average market price at exercise	Total gain on exercise	Number of shares retained
10 Jul 2018	Richard Preston	Director and shareholder	£0.10 ordinary shares	16,544	£1.623	£17,843	16,544
10 Jul 2018	Mark Selby	Director and shareholder	£0.10 ordinary shares	16,544	£1.623	£17,843	16,544
11 Dec 2018	Steve Callaghan	Director and shareholder	£0.10 ordinary shares	150,000	£1.695	£106,125	150,000
13 May 2019	Phil Caldwell	Director and shareholder	£0.10 ordinary shares	20,833	£1.830	£29,125	20,833
13 May 2019	Richard Preston	Director and shareholder	£0.10 ordinary shares	20,833	£1.830	£29,125	20,833

There were no other related party transactions in the 18 months ended 30 December 2020 or in the 12 months ended 30 June 2019.

Company balance sheet

as at 31 December 2020

	Note	31 Dec 2020 £'000	30 June 2019 £'000
Fixed assets			
Investments	3	**199,278**	134,607
Current assets			
Debtors: amounts falling due within one year	4	**4,515**	11,087
Cash at bank and in hand	5	**6,636**	5
		11,151	11,092
Creditors: amounts falling due within one year	6	**(2,583)**	(198)
Net current assets		**8,568**	10,894
Net assets		**207,846**	145,501
Capital and reserves			
Called up share capital	8	**17,217**	15,277
Share premium		**227,682**	179,116
Capital redemption reserve	9	**3,449**	3,449
Profit and loss account		**(40,502)**	(52,341)
Shareholders' funds		**207,846**	145,501

The Company made a profit after taxation of £10.5m in the period (2019: loss of £0.7m).

The notes on pages 100 to 103 are an integral part of these Company financial statements.

The financial statements on pages 98 to 103 were approved by the Board of Directors on 17 March 2021 and were signed on its behalf by:

Phil Caldwell
Chief Executive Officer

Richard Preston
Chief Financial Officer

Ceres Power Holdings plc
Registered Number: 5174075

Company statement of changes in equity

for the 18 months ended 31 December 2020

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2018		10,163	107,445	3,449	(52,551)	68,506
Comprehensive income						
Loss for the financial year		–	–	–	(699)	(699)
Total comprehensive loss		–	–	–	(699)	(699)
Transactions with owners						
Issue of shares, net of costs	8	5,114	71,671	–	–	76,785
Share-based payments charge	8	–	–	–	909	909
Total transactions with owners		5,114	71,671	–	909	77,694
At 30 June 2019		15,277	179,116	3,449	(52,341)	145,501
Comprehensive income						
Profit for the financial period		**–**	**–**	**–**	**10,461**	**10,461**
Total comprehensive loss		**–**	**–**	**–**	**10,461**	**10,461**
Transactions with owners						
Issue of shares, net of costs	8	**1,940**	**48,566**	**–**	**–**	**50,506**
Share-based payments charge	8	**–**	**–**	**–**	**1,378**	**1,378**
Total transactions with owners		**1,940**	**48,566**	**–**	**1,378**	**51,884**
At 31 December 2020		**17,217**	**227,682**	**3,449**	**(40,502)**	**207,846**

The notes on pages 100 to 103 are an integral part of these Company financial statements.

Notes to the Company financial statements

for the 18 months ended 31 December 2020

1. Accounting policies used in the preparation of the financial statements

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group-settled share-based payment; and
- IFRS 7 Financial Instrument Disclosure.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis.

Critical accounting judgements and estimates

The preparation of financial statements under FRS 101 requires the Company's management to make judgements and estimates that affect the reported amounts of assets, liabilities, revenues and costs. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The judgements that are considered to have the most significant impact on the Company's assets and liabilities are set out below.

The review of amounts owed by Group undertakings involved judgement when determining the credit risk of fellow Group undertakings and their ability to repay loans. As at 31 December 2020, management determined that Ceres Power Limited was unable to repay any amounts in excess of the carrying value of the loan and therefore the historical provision of £59.3m was maintained.

Management's review of the Company's investments to determine whether an indicator of impairment exists requires estimates to be used when evaluating the carrying value of investments against their value-in-use. The value-in-use is estimated using a discounted cash flow valuation. The basis for the projected cash flows is the Group's business plan, which is prepared by management. As at 31 December 2020, this review resulted in management determining that the value-in-use was significantly in excess of its carrying value, resulting in the reversal of a historical impairment of £12.4m.

2. Profit for the period

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented its profit and loss account. The Company's result for the 18 months ended 31 December 2020 was a profit of £10.5m (12 months ended 30 June 2019: loss of £0.7m), which is stated after a £12.4m reversal of impairment (2019: £nil) relating to an investment in Group undertakings, and after charging £20,000 (2019: £20,000) for remuneration receivable by the Company's auditor for the auditing of the financial statements and £30,000 (2019: £16,000) in relation to the audit of the interim financial information.

3. Fixed asset investments

Investments in equity securities

Fixed asset investments in subsidiaries are carried at cost less impairment.

Share-based payments

The Group in which the Company is associated has a number of employee and executive share option and award schemes under which it makes equity-settled share-based payments.

The fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted are measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. The fair value of the share-based payment, determined at the grant date, is measured to reflect vesting and non-vesting conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries with the corresponding credit being recognised directly in equity.

Impairment of fixed asset investments

Investments are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by continuing to hold the asset and benefiting from the net present value of the future cash flows of the investment.

Investment in Group undertakings:

	31 Dec 2020 £'000	30 June 2019 £'000
Cost		
At 1 July	**147,049**	80,806
Capital contributions arising from share-based payment charge	**1,378**	909
Additional investment in shares of Ceres Power Intermediate Holdings Ltd	**50,851**	76,883
Ceres Power Intermediate Holdings Ltd buyback and cancellation of shares	**–**	(11,549)
At 31 December/30 June	**199,278**	147,049
Provisions		
At 1 July	**(12,442)**	(12,442)
Reversal of impairment of investment in Ceres Power Intermediate Holdings Ltd	**12,442**	–
At 30 June	**–**	(12,442)
Net book value		
At 31 December/30 June	**199,278**	134,607

During the previous year, Ceres Power Intermediate Holdings Ltd undertook a capital restructure where it completed a buyback of 1,154,936,637 of its own ordinary share of £0.01 each from Ceres Power Holdings plc for consideration of £11,549,366. Ceres Power Intermediate Holdings Ltd subsequently cancelled these shares. As a result of the restructure the proportion of shares held by the Company and control of the Group did not change.

The Directors have reviewed the investment in its subsidiary for indicators of impairment at the period end. They have compared the carrying value of the investment against the Group's current market capitalisation and against the discounted value of estimated future cash flows from the investment. The discount rate used was based on management's best estimate using an appropriate risk-adjusted rate of between 5% and 10%. They assessed the progress of technical development, funds held and the positive performance of the Group. For the current period, the Group's current market capitalisation and discounted value of expected future cash flows from the investment were determined to significantly exceed the original total carrying value of the investment. The historical impairment of £12.4m, recognised in 2015, has been reversed accordingly.

The Company's investments comprise interests in Ceres Power Intermediate Holdings Ltd which is the 100% owner of Ceres Power Ltd, Ceres Power Licence Company Ltd and Ceres Intellectual Property Company Ltd, details of which are shown below:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Company
Ceres Power Ltd	England and Wales	£0.001 ordinary shares	100%
Ceres Intellectual Property Company Ltd	England and Wales	£1.00 ordinary shares	100%
Ceres Power Licence Company Ltd	England and Wales	£1.00 ordinary shares	100%
Ceres Power Intermediate Holdings Ltd	England and Wales	£0.01 ordinary shares	100%

3. Fixed asset investments continued

On 2 September 2019, Ceres Power Licence Company Ltd was incorporated in England and Wales. The company is a 100% owned subsidiary of Ceres Power Intermediate Holdings Ltd. The principal activity of the company is the provision of overseas licence and royalty services.

The principal activity of Ceres Power Ltd is the commercialisation and continued development of the Group's fuel cell technology. The principal activity of Ceres Intellectual Property Company Ltd is the administration of registered intellectual property developed within the Group. The principal activity of Ceres Power Intermediate Holdings Ltd is as a holding company to the other Group companies and to manage the Group's cash, cash equivalents and short-term investments. The results of Ceres Power Ltd, Ceres Intellectual Property Company Ltd, Ceres Power Licence Company Limited and Ceres Power Intermediate Holdings Ltd are included within the consolidated financial statements.

The registered address of the Company and all subsidiary undertakings is Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX.

4. Debtors: amounts falling due within one year

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method, less any impairment losses. The Company applies the general approach for the impairment review of loans to subsidiaries.

	31 Dec 2020 £'000	30 June 2019 £'000
Other debtors	**1**	13
Prepayments and accrued income	**19**	39
Amounts owed by Group undertakings	**4,495**	11,035
	4,515	11,087

The amounts owed by Group undertakings comprise inter-company loans and recharges. No specific repayment or interest terms are associated with these amounts. As of 31 December 2020, a loss allowance of £59,316,000 (31 June 2019: £59,316,000) has been recognised against the inter-company loan to Ceres Power Ltd, reflecting management's best estimate of the expected credit losses for that balance.

A subordination agreement exists between the Company and Ceres Power Ltd. As at 31 December 2020, amounts owed by Ceres Power Ltd to the Company of £60,676,000 (30 June 2019: £67,140,000) are subordinated to all other creditors of Ceres Power Ltd.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

6. Creditors: amounts falling due within one year

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method.

	31 Dec 2020 £'000	30 June 2019 £'000
Trade creditors	**27**	44
Accruals	**206**	154
Amounts owed to Group undertakings	**2,350**	–
	2,583	198

7. Taxation

Taxation

Tax on the profit or loss for the year comprises current and deferred tax and any adjustment to tax payable in respect of previous years. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Potential deferred tax assets have not been recognised but are set out below:

	31 Dec 2020 £'000	30 June 2019 £'000
Tax effect of timing differences because of:		
Short-term timing differences	**(4)**	–
Losses carried forward	**(1,457)**	(1,148)
	(1,461)	(1,148)

The deferred tax assets have not been recognised as the Directors consider that it is unlikely that the asset will be realised in the foreseeable future. The potential deferred tax assets are calculated using the estimated UK tax rate of 19% (2019: 17%). The gross amount of losses carried forward as at 31 December 2020 was £7.7m (30 June 2019: £6.8m), which do not have an expiry date.

8. Called-up share capital

	31 Dec 2020 £'000		30 June 2019 £'000	
	Number of £0.10 Ordinary shares	£'000	Number of £0.10 Ordinary shares	£'000
Allotted and fully paid:				
Ordinary shares at 31 December/30 June	**172,171,527**	**17,217**	152,769,812	15,277

Details of shares issued in the period are provided in Note 22 to the Group financial statements. Details of share options are disclosed in Note 24 to the Group financial statements.

9. Capital redemption reserve

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.

10. Employees

The Company has no employees other than the Non-Executive Directors (including the Chairman), whose remuneration is set out on page 55.

Directors and advisers

Directors of Ceres Power Holdings plc

- Phil Caldwell (Chief Executive Officer)
- Steve Callaghan (Senior Independent Director)
- Warren Finegold (Chairman) Appointed 1 March 2020
- Uwe Glock (Non-Executive Director) Appointed 17 June 2020
- Qinggai Hao (Non-Executive Director) Appointed 17 June 2020
- Caroline Hargrove (Non-Executive Director)
- Aidan Hughes (Non-Executive Director)
- Richard Preston (Chief Financial Officer)

Registered number

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Company Secretary

Tim Anderson

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Glossary

Biofuel
A fuel derived from biomass, rather than by the very slow geological processes involved in the formation of fossil fuels. Most common biofuels include bio-ethanol (from sugar or starch crops) and biodiesel (from oils and fats).

Combined heat and power (CHP)
A unit that generates electricity while at the same time capturing usable heat that is created during this process. This heat can then be used to provide hot water or central heating for example, improving the efficiency of the device.

Decarbonisation
The process of lowering the amount of greenhouse gas emissions (mostly carbon dioxide, CO_2) produced by the burning of fossil fuels.

Efficiency, electrical/thermal
The amount of electricity/heat that is produced by a process for every unit of energy supplied to the process, often expressed as a percentage.

Efficiency, total
The amount of useful energy in any form that a process produces for every unit of energy supplied to the process, often expressed as a percentage.

Energy
In physics, the capacity for doing work. It may exist in potential, kinetic, thermal, electrical, chemical, nuclear or other various forms. Measured in Joules or Watt-Hours.

Fuel cell
A device for converting chemical energy (fuel) directly into electrical energy without the need for combustion. There are several fuel cell technology families, classified by their operating temperature and the type of electrolyte used. These include:

- **Alkaline fuel cell (AFC):** relatively low operating temperature (60-80 Celsius) and one of the oldest designs for fuel cells, used in the United States space program since the 1960s. AFCs require pure hydrogen as fuel
- **Polymer exchange membrane (PEM) fuel cell:** relatively low operating temperature (60-80 Celsius). The low operating temperature means that it doesn't take very long for the fuel cell to warm up and begin generating electricity. Requires pure hydrogen as fuel
- **Phosphoric acid fuel cell (PAFC):** operate at around 200 Celsius, mature technology and most often used in stationary power generation systems. It has relatively low efficiency and so is typically only used in CHP systems
- **Solid oxide fuel cell (SOFC):** high operating temperatures (up to 950 Celsius) but highly efficient and able to generate electrical power from multiple fuel types including natural gas, biofuels, hydrogen blends and pure hydrogen. However, these cells are typically expensive as they are constructed from exotic (but fragile) materials resistant to the high operating temperatures.

Fuel stack
An assembly of individual fuel cells into a device that can deliver a large amount of electrical power. Ceres stacks are currently manufactured in 1kW and 5kW units. These can be connected in a modular manner to create higher power systems.

Greenhouse gas
A gas that absorbs infrared radiation (net heat energy) emitted from Earth's surface and reradiates it back contributing to rising surface temperature, or the greenhouse effect. The most common greenhouse gases are carbon dioxide (CO_2), methane (NH_3) and water vapour (H_2O).

Hydrogen
A highly abundant naturally occurring gas commonly cited as a fuel for the future as it has a high chemical energy content for its mass and creates no harmful emissions when it is burned to release this energy. Hydrogen is currently used as a feedstock for a number of industrial processes (such as metal smelting or fertiliser production) and is commercially defined by its method of production and the treatment of the waste gases produced:

- Brown: produced by using coal where the emissions are released to the air
- Grey: produced from natural gas where the associated emissions are released to the air
- Blue: produced from natural gas, where the emissions are captured using carbon capture and storage
- Pink: produced from electrolysis powered by nuclear energy
- Green: produced from electrolysis powered by renewable electricity

Intellectual property (IP)
An asset that is created by the innovative activities of people and businesses. IP can be in the form of inventions, literary and artistic works, designs and symbols, names and images used in commerce. In business, unique IP is often the basis of competitive advantage and is therefore closely protected for example by calling out a copy right, registering a trade mark, or filing a patent. Intellectual Property Rights are protected by law and allow the holder to assert control over how they are used through contracts and licences.

Natural gas
A fossil fuel energy source that is formed deep beneath the earth's surface. The largest component of natural gas is methane, composed of carbon and hydrogen. When natural gas is burned or used in a fuel cell, it produces energy and waste carbon dioxide.

NOx or Nitrous Oxide

A gas that is often formed as an unwanted biproduct of combustion: the higher the temperature or pressure of the combustion, the more NOx is formed. It is a significant cause of poor air quality.

OEM, Original Equipment Manufacturer

A company that makes complete products that businesses buy.

SOFC system

An assembly that is made up of the fuel cell, fuel input handling components and components engineered to manage the electrical power output and waste heat and gases.

SOx or Sulphur Oxide

The gaseous substance that is formed when sulphur compounds, such as those found in many fossil fuels, are burned. Before low-sulphur fuels were regulated, they were a significant cause of poor air quality from vehicles.

Watt

The unit by which power is measured. The amount of energy (measured in Joules) is delivered in a fixed amount of time, Joules per Second. Units are typically expressed in kilowatts (1kW = 1,000 watts); megawatts (1MW = 1,000kW); gigawatts (1GW = 1,000MW).

Zero emission

Refers to a vehicle, engine, motor, process or some other energy source, that emits no waste products that pollute the environment or disrupt the climate.

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