16 March 2020

Ceres Power Holdings plc

Half-yearly results for the six months ended 31 December 2019

STRATEGIC PARTNERSHIPS CONTINUE TO DELIVER COMMERCIAL GROWTH

Ceres Power Holdings plc ("Ceres Power", "Ceres", the "Company" or the "Group") (AIM: CWR.L), a global leader in fuel cell and electrochemical technology, announces its half-yearly results for the six months ended 31 December 2019.

Financial Highlights

- Revenue and other income up 33.6% to £11.0m (H1 2018: £8.3m), reflecting strong progress on major contracts
- Strong gross margin of 67% consistent with the asset-light licencing business
- Continued investment in the business to grow future value, while reducing operating loss to £2.8m (H1 2018: £3.0m)
- Further equity injection of £49m from Bosch and Weichai post period end adds to strong cash and short-term investments of £64.6m at 31 December 2019

Operating Highlights

- New system licence and joint development agreement signed with Doosan worth £8.0m over two years
- Completed joint development with Weichai of first prototype 30kW range extender system for electric buses targeting the Chinese market
- Bosch commenced initial low-volume pilot production of fuel cell systems in Germany
- First product launch of the SteelCell® with Japan's Miura Co. in a combined heat & power ("CHP") system for commercial use
- Developed Ceres' first zero-emission combined heat & power ("CHP") system designed for exclusive use with hydrogen fuel
- New UK manufacturing facility built and commissioned which will ramp up to 2MW annual capacity this year with the intent to upscale to 3MW in due course

Current Trading and Outlook

- Expect similar revenue growth to continue for the full year with strong order book* of £22m and pipeline* of £50m as at 31 December 2019
- We are exploring partnerships with system engineering companies to access new customers and applications
- Bosch has increased its stake in Ceres to c.18%, generating gross proceeds of £38m
- Weichai to invest a further £11m in Ceres to maintain its equity stake at 20%. We still plan to establish a fuel cell system manufacturing joint venture in China later this year
- Gross equity proceeds of £49m will allow Ceres to extend the application of its technology including developing electrolysis capability
- Ceres has undertaken a brand refresh to support the broadening of its technology, wider industry and business development and purpose
- We are monitoring the rapidly-moving developments around COVID-19. Our current guidance for the full year performance remains aligned with market expectations and we will continue to assess potential impacts on future trading

Phil Caldwell, CEO of Ceres Power commented:

"Ceres has a technology that the world urgently needs to tackle climate change. As a management team, we are focused on maintaining our industry-leading position in fuel cells, while also maximising the future value for Ceres presented by the broader addressable market for clean energy technology.

I believe that the quality and success of the partnerships we have built with Bosch, Weichai, Doosan, Miura and others is a huge endorsement of our technology, our team and our approach. We are now in a privileged position, with investor support, committed partners and balance sheet strength, to capitalise on the substantial opportunities that exist to deliver long-term profit and to do so with purpose."

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

Analyst Presentation

Ceres Power Holdings plc will be hosting a live webcast for analysts and investors today at 09.30 (GMT). A link to the webcast will be made available on the Ceres homepage: www.ceres.tech or can be accessed directly here: https://webcasting.brrmedia.co.uk/broadcast/5e457ca22aec863039efc381.

If you wish to ask questions, you can do so via the live conference call or in writing via the webcast function.

Conference Call:

To access the conference call, please use the following details 5-10 minutes prior to the start time:

Dial: +44 (0)330 336 9126
Confirmation code: 3379477

Financial Summary:	**Six months ended 31 December 2019 (Unaudited)**	Six months ended 31 December 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
	£'000	£'000	£'000
Total revenue and other operating income, comprising:	**11,040**	8,266	16,365
Licence fees	2,771	5,124	7,412
Engineering services revenue and provision of technology hardware	7,240	2,988	7,888
Other operating income	1,029	154	1,065
Gross margin %	**67%**	82%	75%
Adjusted EBITDA loss [1]	**(1,413)**	(2,006)	(5,881)
Operating loss	**(2,846)**	(2,986)	(7,924)
Net cash used in operating activities	**(3,567)**	(3,185)	(3,058)
Net cash and short-term investments	**64,606**	78,397	71,267

1 Adjusted EBITDA loss is calculated as the operating loss for the period of £2,846k (2018 -£2,986k) excluding depreciation charges of £993k (2018 - £409k), share-based payment charges of £436k (2018 - £451k), unrealised gains on forward contracts of £106k (2018 – £197k loss), exchange losses on cash and cash equivalents of £110k (2018 - £77k gain). Adjusted EBITDA loss also excludes charges for restructuring although none were incurred in the period (2018 - £nil). 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.

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About Ceres Power

Ceres is a world-leading developer of fuel cell and electrochemical technology that enables its partners to deliver clean energy at scale and speed. Its asset-light, licensing model has seen it embed its technology in some of the world's most progressive companies – such as Weichai in China, Bosch in Germany, Miura in Japan, and Doosan in South Korea – to develop systems and products that address climate change and air quality challenges for transportation, industry, data centres and everyday living. Ceres is listed on the AIM market of the London Stock Exchange ("LSE") (AIM: CWR.L) and was awarded the Green Economy Mark by LSE, which recognises listed companies that derive more than 50% of their revenues from the green economy.

Chief Executive's statement

We are delighted to report that Ceres has maintained momentum across all areas of the business in the first half of the year. Revenue and other operating income was up 33.6% to £11.0m (H1 2018: £8.3m) and we continue to carefully manage costs, with operating losses slightly reduced at £2.8m (H1 2018: £3.0m).

During the period, we signed a further commercial agreement with Doosan, successfully commissioned our new UK manufacturing plant in Redhill and we also announced the development of Ceres' first zero-emission CHP system, designed exclusively for use with hydrogen fuel.

Notwithstanding the current COVID-19 situation, for the first time the top five long-term global risks in terms of likelihood, as identified by the World Economic Forum Global Risks Report 2020, are all risks associated with the environment. We are witnessing a singular alignment of government, business and society around the climate emergency, giving further impetus to our ambition to embed our technology in products and systems globally, to support the transition to a clean energy future. Therefore we were delighted to be awarded the Green Economy Mark by LSE, which recognises listed companies that derive more than 50% of their revenues from the green economy.

Our key target markets of China, Japan, South Korea and Europe increasingly have government policies, subsidies and targets in place to encourage, speed and facilitate the path to carbon net zero. Importantly for Ceres, over the past 18 months we have been a beneficiary of the effects of this momentum in the private sector, as corporations have invested around U$1bn in companies with differing fuel cell technologies.

Commercial

As at 31 December 2019 our order book stood at £22m and we had a further £50m pipeline, being a combination of staged licensing payments and engineering services. As an asset-light, licensing business we anticipate signing around one to two new licensees per year and our mix of revenues with upfront licences should help support healthy gross margins, which in the period were comfortably above our target of 50%.

Ceres has established partnerships with some of the world's leading engineering and technology companies, and as well as bringing on new partners, we have significant opportunities to expand our relationships and the scope of our existing partnerships. Ultimately, we seek partnerships that will enable the adoption of high volume manufacturing, providing economies of scale for the SteelCell® and bringing it to the mass market, delivering long-term royalty income for our shareholders.

Bosch

Since entering a strategic collaboration with Bosch in August 2018, our partnership continues to strengthen. Our respective expertise in fuel cells, manufacturing and product development has seen us develop a 10kW system, based on two 5kW SteelCell® stacks, to be used in cities, factories, data centres and as charge points for electric vehicles. Bosch has now commenced low-volume production of the system and fuel cell stacks at its facilities in Germany. This is a significant milestone for Ceres as it's the first time a third party has manufactured our cell technology under licence following successful technology transfer outside of the UK. The collaboration and licence agreement and joint development agreements will provide significant staged revenues to Ceres through licensing and longer-term royalties on 5kW SteelCell® stacks.

In January 2020, Bosch announced it would increase its stake in Ceres from c.4% to c.18% of the enlarged issued share capital of Ceres with a £77.3m investment in the Company. It acquired £39.3m of shares from existing shareholders and injected £38m of new money into the Company by purchasing new shares. These funds will help Ceres broaden the application of its fuel cell technology.

We view Bosch's decision to increase its investment in Ceres as extremely positive and a strong signal of its intention to move towards future scale up to high volume manufacture of the SteelCell®.

We are pleased to have Bosch alongside Weichai as strong commercial partners as well as significant strategic investors.

Weichai

Ceres' collaboration with Weichai, first announced in May 2018, has grown into a very strong working relationship. Following successful technology transfer and the licensing of system-level technology, we announced in September 2019 that the combined team had produced a first prototype 30kW solid oxide fuel cell ("SOFC") range extender for electric city buses running on compressed natural gas. The joint development agreement has now started a second iteration of the design that will move on to field trials.

Pending successful field trials which are anticipated towards the end of this year, Weichai and Ceres intend to establish a fuel cell manufacturing company this year in Shandong Province, China, to manufacture SteelCell® SOFC systems. The joint venture (with an initial 51%:49% respective shareholding and minimum initial investment by Ceres expected to be £8m) will provide a staged path to high volume manufacturing of the SteelCell® under license, for use in commercial vehicles, buses and certain stationary power markets in China.

Following the decision in January 2020 by Bosch to increase its stake in Ceres to 18%, Weichai has exercised its own non-dilution rights and has indicated it will invest a further £11m to maintain its equity stake at 20%. Ceres anticipates that its strong cash position will allow it to participate fully in the new JV and maintain access to China, the world's fastest growing market for fuel cells.

Doosan

In July 2019, Ceres signed a collaboration and licensing agreement with Doosan, to jointly develop SOFC distributed power systems, initially targeting the South Korean commercial building market. The agreement delivers £8m to Ceres over two years and includes licensing, technology transfer and engineering services. Doosan has taken a system-level licence of Ceres' proprietary SteelCell® SOFC technology to develop a low carbon 5-20kW power system.

Doosan has established itself as a world leader in the fuel cell industry with order book in excess of 1tn won (c.U$850m). South Korea also benefits from a supportive regulatory regime and ambitious long-term targets to encourage the hydrogen economy and use of fuel cells. It is an important market for Ceres and we are looking to expand our collaboration with Doosan to access broader applications within South Korean and internationally.

Miura

In Q4 2019, Ceres marked a significant milestone in its history with the first commercialisation of a product utilising its SteelCell® technology. Japanese boiler-manufacturer Miura has been working with Ceres since 2016 to develop an SOFC CHP unit, which has now been released in a soft market launch for the Japanese commercial market. Operating on the main gas supply and capturing heat as hot water, the overall efficiency of the system reaches 90%, delivering both major energy savings and helping to lower carbon footprint.

Others

We continued to make good progress with Honda and other leading industrial companies in various programmes.

Manufacturing

During the period we completed the new manufacturing facility in Redhill in the UK, and in January we began production to get up to 2MW of annual fuel cell capacity. We are now producing stacks and are in the early stages of production ramp up. This involves working through a number of early stage production issues which we are working to resolve in order to achieve full capacity. In parallel, the Ceres team has been working closely with Bosch, both in the UK and in Germany, to establish a parallel pilot manufacturing plant in a Bosch facility in Germany, which has also started production.

We intend to expand the Redhill facility from 2MW to 3MW in due course, to support existing and future partner programmes.

Technology

As a clean energy technology licensing company, it is imperative that Ceres remains at the leading-edge, continually maturing existing products and furthering R&D into new applications for customers. We continue to focus R&D spend on improving our competitive advantage in power density, cost and product lifetime. We remain on track to release the next generation (V6) of our core technology in the financial year 2020/21.

In addition to this, our engineering teams are working with partners in China, Japan, South Korea and the US to develop further systems for the SteelCell®, with demand for new and higher power applications (such as the automotive application delivered with Weichai). We will continue to invest to access these opportunities.

In December 2019, Ceres announced the successful development of its first zero-emission combined heat & power (CHP) system, designed exclusively for use with hydrogen fuel. In initial testing, the system has achieved greater than 50% electrical efficiency, with an overall efficiency of 90% achievable in combined heat & power mode. Ceres' hydrogen CHP is simpler than its existing fuel-flexible system, delivering an equivalent performance with fewer components, a reduced size and up to a 40% unit cost reduction. It has been developed as part of Ceres' continuing product roadmap for customers seeking greater innovation to tackle climate change and air pollution.

Another promising additional application for Ceres' SOFC technology is solid oxide electrolysis, essentially the process of reversing fuel cells to produce hydrogen and e-fuels from renewable energy. In January, we announced that early stage testing on the application of Ceres' technology as a solid oxide electrolyser (SOEC) has delivered encouraging results and we will deploy some of the funds raised from Bosch's increased investment to further R&D in this area.

Financial

The business continues to achieve strong commercial growth and we delivered revenue and other income in the first half of the year of £11.0m, up from £8.3m in the same period last year. A higher proportion of engineering services than last year delivered a gross margin of 67% in the period (H1 2018: 82%), comfortably ahead of our target of maintaining margins above 50%. We continue to anticipate that the mix between licence fees and engineering services will vary going forwards, based on deal flow.

Adjusted EBITDA loss of (£1.4m) improved from the same period last year (£2.0m), reflecting the increased revenue and other income offset by reduced gross margin and continued investment in the business. Operating loss decreased slightly from £3.0m to £2.8m reflecting the movement in adjusted EBITDA loss as well as increased depreciation. During the period we capitalised £0.9m development costs and we began this treatment in January 2019 due to our confidence in the commercialisation potential of the technology. Net cash used in Operating Activities (£3.6m) slightly increased from prior year (£3.2m), affected primarily by movements in working capital.

The tax credit of £1.1m for the period includes a Research and Development tax credit ("R&D tax credit") of £1.3m net of withholding tax suffered of £0.2m, and £2.5m of R&D tax credit relating to the prior year was received in February 2020.

The Group held £64.6m of cash, cash equivalents and short-term investments at 31 December 2019. After the period end, our strategic partner Bosch agreed to invest £38m of new equity in Ceres, through the issue of 11.9 million new ordinary shares, reinforcing our existing strong financial position. This completed in March 2020. Under its anti-dilution rights Weichai has also agreed to invest a further £11m in the Company, which is expected to be received in April.

Principal risks and uncertainties

COVID-19
The health and safety of our people remains our first priority. We have been monitoring the spread of COVID-19 very closely and liaising with our partners to ensure alignment and to reduce the impact to our business.

We have introduced measures to reduce face to face contact and non-essential business travel has been restricted. We have business continuity measures in place such as working from home where possible and our manufacturing workforce has been segregated between our two sites in Redhill and Horsham. We continue to follow all Government guidelines in relation to COVID-19.

The global impact clearly remains fast moving and uncertain and it is our initial assessment that we could see some short-term impact on the timing of our partner programmes and manufacturing output in the UK. Notwithstanding these risks, our current guidance on performance for the full year remains aligned with market expectations and we will continue to assess potential impacts on future trading.

There are a number of other risks and uncertainties that have the potential to impact the execution of the Group's strategy, as well as its short-term results. The Executive Directors regularly review the risks facing the Group and these risks are set out in the Annual Report along with mitigations to reduce the likelihood of them occurring and to manage any possible impact. The directors do not consider that these risks have changed materially in the last six months, apart from COVID-19 as mentioned above. The manufacturing facility in Redhill is also working through a number of early stage production issues which we anticipate we will resolve shortly.

Outlook

We remain fully committed to our core business, our existing programmes and customers and our success depends on our partners' success. We continue to make good progress with our key partner programmes and have increasing confidence of progressing towards commercialisation, as evidenced by the £49m further investments by Bosch and Weichai.

We will continue to invest in the business to support our growth and our customers. We intend to use these proceeds to fund further product uses for solid oxide fuel cells and diversify research & development activity to potential electrolysis applications for Ceres' technology, and expand pilot manufacturing at Redhill from 2MW to 3MW, accelerate core power system development for higher power applications and increase investment in test capability, all in support of customer programmes.

We have a unique technology that has been 20 years in the making, and an unprecedented moment in time when it is more beneficial and more sought after than ever before. I firmly believe that we have the team, the partnerships and the financial strength to consolidate Ceres' position as a global leader in clean technology and to play an important role in addressing the major challenges of climate change and air quality.

I am hugely excited about the opportunities ahead and look forward to updating you on our progress in the coming months.

Philip Caldwell
Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 31 December 2019

	Note	Six months ended 31 December 2019 (Unaudited) £'000	Six months ended 31 December 2018 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Revenue	3	10,011	8,112	15,300
Cost of sales		(3,270)	(1,462)	(3,804)
Gross profit		**6,741**	**6,650**	**11,496**
Other operating income[2]		1,029	154	1,065
Operating costs	4	(10,616)	(9,790)	(20,485)
Operating loss		**(2,846)**	**(2,986)**	**(7,924)**
Finance income		291	173	552
Finance expense		(230)	-	-
Loss before taxation		**(2,785)**	**(2,813)**	**(7,372)**
Taxation credit[3]		1,140	946	2,538
Loss for the financial period / year and total comprehensive loss		**(1,645)**	**(1,867)**	**(4,834)**
Loss per £0.10 ordinary share expressed in pence per share:				
Basic and diluted loss per share	5	(1.07)p	(1.44)p	(3.43)p

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

2 Other operating income relates to grant income.

3 The taxation credit in the current period includes an R & D tax credit of £1,340k (2018 - £946k) net of £200k of withholding tax suffered (2018 - £nil).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 December 2019 (Unaudited) £'000	31 December 2018 (Unaudited) £'000	30 June 2019 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment	6	11,767	3,206	9,769
Right-of-use assets		4,488	-	-
Intangible assets	7	2,398	118	1,322
Other receivables		741	-	741
Total non-current assets		**19,394**	**3,324**	**11,832**
Current assets				
Inventories		1,644	1,585	1,403
Contract assets		3,362	-	722
Trade and other receivables		5,014	7,561	4,204
Other assets		965	2,091	1,497
Derivative financial instrument		80	-	28
Current tax receivable [4]		3,632	2,846	2,292
Short-term investments	8	40,000	55,700	63,700
Cash and cash equivalents	8	24,606	22,697	7,567
Total current assets		**79,303**	**92,480**	**81,413**
Liabilities				
Current liabilities				
Trade and other payables and liabilities		(3,301)	(8,155)	(4,203)
Contract liabilities		(5,364)	-	(3,061)
Lease liabilities	2	(823)	-	-
Derivative financial instrument		(12)	(194)	(66)
Provisions		(294)	-	(158)
Total current liabilities		**(9,794)**	**(8,349)**	**(7,488)**
Net current assets		**69,509**	**84,131**	**73,925**
Non-current liabilities				
Provisions		(1,054)	(863)	(992)
Other liabilities		-	-	(323)
Lease liabilities	2	(4,013)	-	-
Total non-current liabilities		**(5,067)**	**(863)**	**(1,315)**
Net assets		**83,836**	**86,592**	**84,442**
Equity attributable to the owners of the parent				
Share capital	9	15,395	15,208	15,277
Share premium		179,601	178,826	179,116
Capital redemption reserve		3,449	3,449	3,449
Merger reserve		7,463	7,463	7,463
Accumulated losses		(122,072)	(118,354)	(120,863)
Total equity		**83,836**	**86,592**	**84,442**

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

[4] £2.5m was received in February 2020

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2019

	Note	Six months ended 31 December 2019 (Unaudited) £'000	Six months ended 31 December 2018 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Cash flows from operating activities				
Loss before taxation		(2,785)	(2,813)	(7,372)
Adjustments for:				
Finance income		(454)	(173)	(552)
Finance payments		230	-	-
Depreciation of property, plant and equipment		734	409	1,025
Depreciation of right of use assets		259	-	-
Amortisation of intangibles		-	-	13
Share-based payments		436	451	909
Net foreign exchange losses/(gains)		110	(77)	67
Net change in fair value of financial instruments at fair value through profit and loss		(106)	197	42
Operating cash flows before movements in working capital		**(1,576)**	**(2,006)**	**(5,868)**
Increase in trade, other receivables and other assets		(1,008)	(4,871)	(1,412)
Increase in inventories		(241)	(185)	(3)
(Decrease)/ increase in trade and other payables		(603)	3,865	(559)
Increase in contract assets		(2,640)	-	(722)
Increase in contract liabilities		2,303	-	3,061
Increase in provisions		198	12	299
Net cash used in operations		**(3,567)**	**(3,185)**	**(5,204)**
Taxation received		-	-	2,146
Net cash used in operating activities		**(3,567)**	**(3,185)**	**(3,058)**
Investing activities				
Purchase of property, plant and equipment		(2,600)	(1,418)	(7,693)
Investment in intangibles		(1,076)	(71)	(1,288)
Decrease/(increase) in short-term investments		23,700	(55,700)	(63,700)
Finance income received		454	173	193
Net cash generated from/ (used in) investing activities		**20,478**	**(57,016)**	**(72,488)**
Financing activities				
Proceeds from issuance of ordinary shares		602	77,625	77,926
Net expenses from issuance of ordinary shares		-	(1,199)	(1,141)
Repayment of lease liabilities		(134)	-	-
Finance interest paid		(230)	-	-
Net cash generated from financing activities		**238**	**76,426**	**76,785**
Net increase in cash and cash equivalents		**17,149**	**16,225**	**1,239**
Exchange (losses)/ gains on cash equivalents		(110)	77	(67)
Cash and cash equivalents at beginning of period		7,567	6,395	6,395
Cash and cash equivalents at end of period	**8**	**24,606**	**22,697**	**7,567**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2019

	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 for the financial period	-	-	-	-	(1,867)	**(1,867)**
Total comprehensive loss	-	-	-	-	(1,867)	**(1,867)**
Transactions with owners						
Issue of shares, net of costs	5,045	71,381	-	-	-	**76,426**
Share-based payments charge	-	-	-	-	451	**451**
Total transactions with owners	5,045	71,381	-	-	451	**76,877**
At 31 December 2018	**15,208**	**178,826**	**3,449**	**7,463**	**(118,354)**	**86,592**
Comprehensive income						
Loss for the financial period	-	-	-	-	(2,967)	**(2,967)**
Total comprehensive loss	-	-	-	-	(2,967)	**(2,967)**
Transactions with owners						
Issue of shares, net of costs	69	290	-	-	-	**359**
Share-based payments charge	-	-	-	-	458	**458**
Total transactions with owners	**69**	**290**	**-**	**-**	**458**	**817**
At 30 June 2019	**15,277**	**179,116**	**3,449**	**7,463**	**(120,863)**	**84,442**
Comprehensive income						
Loss for the financial period	-	-	-	-	(1,645)	**(1,645)**
Total comprehensive loss	-	-	-	-	(1,645)	**(1,645)**
Transactions with owners						
Issue of shares, net of costs	118	485	-	-	-	**603**
Share-based payments charge	-	-	-	-	436	**436**
Total transactions with owners	118	485	-	-	436	**1,039**
At 31 December 2019	**15,395**	**179,601**	**3,449**	**7,463**	**(122,072)**	**83,836**

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

Notes to the financial statements for the six months ended 31 December 2019

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies and should be read in conjunction with the annual financial statements for the year ended 30 June 2019.

The condensed interim 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 the profit or loss.

The financial information contained in the condensed interim financial statements is unaudited and does not constitute statutory financial statements as defined by in Section 434 of the Companies Act 2006. The financial statements for the year ended 30 June 2019, on which the auditors gave an unqualified audit opinion, and did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, have been filed with the Registrar of Companies.

Going Concern

The Group has reported a loss after tax for the 6 months ended 31 December 2019 of £1,645,000 and net cash used in operating activities of £3,567,000. At 31 December 2019, it held cash and cash equivalents and short-term investments of £64,606,000. The directors have prepared annual budgets and cash flow projections that extend beyond 12 months from the date of approval of this report. Those projections show that the Group will have sufficient cash reserves to meet its liabilities as they fall due and continue as a going concern. For the above reasons the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2. Changes in accounting policies and standards

Except as described below the accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2019, as described in those financial statements.

New standards and amendments applicable as of 1 July 2019

The Group has adopted the following new standard with a date of initial application of 1 July 2019.

- IFRS 16 'Leases'

IFRS 16 – 'Leases'

IFRS16 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 adoption of this standard is mandatory for accounting periods starting after 1 January 2019.

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 6 months - 10 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; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

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%.

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.

As at the 31 December 2019 the Group held right-of use assets of £4,488,000 and a lease liability of £4,836,000 (£4,013,000 of which is non-current). The impact on the consolidated statement of profit and loss and other comprehensive income for the six months ended 31 December 2019 was an increase to the loss for the financial period of £123,000. Operating costs were decreased by £107,000, relating to additional charges of £259,000 for depreciation and a reduction to rental charges on operating leases of £366,000. Finance expenses of £230,000 were incurred during the period.

Notes to the financial statements for the six months ended 31 December 2019 (continued)

2. Changes in accounting policies and standards (continued)

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

	Land and Buildings £'000	Other £'000
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	3,812	29
Recognition of period from break clause to lease end [5]	3,469	-
Discounted using the incremental borrowing rate at 1 July 2019	(2,328)	(2)
Less short-term leases recognised as an expense on a straight-line basis	-	(9)
Lease liabilities recognised 1 July 2019	4,953	18

[5] 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 calculate the initial liability on the full lease term, if it is considered to be reasonably certain the break will not be exercised.

3. Revenue

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

Geographical market

	Six months ended 31 December 2019 (Unaudited) £'000	Six months ended 31 December 2018 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Europe	3,865	6,556	10,553
Asia	5,644	1,150	4,441
North America	502	406	306
	10,011	8,112	15,300

Major product/service lines

	Six months ended 31 December 2019 (Unaudited) £'000	Six months ended 31 December 2018 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Engineering services and provision of technology hardware	7,240	2,988	7,888
Licenses	2,771	5,124	7,412
	10,011	8,112	15,300

Notes to the financial statements for the six months ended 31 December 2019 (continued)

3. Revenue (continued)

Timing of transfer of goods and services

	Six months ended 31 December 2019 (Unaudited) £'000	Six months ended 31 December 2018 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Products and services transferred at a point in time	2,343	4,091	7,057
Products and services transferred over time	7,668	4,021	8,243
	10,011	8,112	15,300

4. Operating costs

Operating costs are split as follows:

	Six months ended 31 December 2019 (Unaudited) £'000	Six months ended 31 December 2018 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Research and development costs	6,489	6,820	13,799
Administrative expenses	3,395	1,779	4,618
Commercial	732	1,191	2,068
	10,616	**9,790**	**20,485**

5. Loss per share

	Six months ended 31 December 2019 (Unaudited) £'000	Six months ended 31 December 2018 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Loss for the financial period attributable to shareholders	**(1,645)**	**(1,867)**	**(4,834)**
Weighted average number of shares in issue	153,305,894	129,787,335	140,956,490
Loss per £0.10 ordinary share (basic & diluted)	**(1.07)p**	**(1.44)p**	**(3.43)p**

Notes to the financial statements for the six months ended 31 December 2019 (continued)

6. Property, plant and equipment

	Leasehold improvements (Unaudited) £'000	Plant and machinery (Unaudited) £'000	Computer equipment (Unaudited) £'000	Fixtures and fittings (Unaudited) £'000	Assets under construction (Unaudited) £'000	Motor vehicles (Unaudited) £'000	Total (Unaudited) £'000
Cost							
At 30 June 2019	2,222	10,846	1,458	69	6,803	12	21,410
Additions	181	1,465	41	-	1,044	-	2,731
Transfers	2,688	-	-	-	(2,688)	-	-
At 31 December 2019	5,091	12,311	1,499	69	5,159	12	24,141
Accumulated depreciation							
At 30 June 2019	2,096	8,478	998	69	-	-	11,641
Charge for the period	118	507	107	-	-	1	733
At 31 December 2019	2,214	8,985	1,105	69	-	1	12,374
Net book value							
At 31 December 2019	**2,877**	**3,326**	**394**	**-**	**5,159**	**11**	**11,767**
At 30 June 2019	126	2,368	460	-	6,803	12	9,769

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

Assets under construction primarily consist of plant and machinery and leasehold improvements relating to the new manufacturing site which is yet to start production at the period end. Leasehold improvements of £2,688k have been transferred to the leasehold improvements category within the period and are being depreciated over the life of the lease.

7. Intangible assets

	Total (Unaudited) £'000
Cost	
At 30 June 2019	1,335
Additions from internal developments in relation to manufacturing site	177
Additions from customer and internal development programmes	899
At 31 December 2019	2,411
Accumulated amortisation	
At 30 June 2019	13
Charge for the period	-
At 31 December 2019	13
Net book value	
At 31 December 2019	**2,398**
At 30 June 2019	1,322

Notes to the financial statements for the six months ended 31 December 2019 (continued)

8. Net cash, short-term investments and financial assets

	As at 31 December 2019 (Unaudited) £'000	**As at 31 December 2018 (Unaudited) £'000**	**As at 30 June 2019 (Audited) £'000**
Cash at bank and in hand	12,684	3,477	1,502
Money market funds	11,922	19,220	6,065
Cash and cash equivalents	**24,606**	**22,697**	**7,567**
Short-term investments (bank deposits > 3 months)	40,000	55,700	63,700
Net cash and short-term investments	**64,606**	**78,397**	**71,267**

The Group typically places surplus funds into pooled money market funds with durations of up to 3 months and bank deposits with durations of up to 12 months. The Group's treasury policy restricts investments in short-term sterling money market funds to those which carry short-term credit ratings of at least two of AAAm (Standard & Poor's), Aaa/MR1+ (Moody's) and AAA V1+ (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.

9. Share capital

	Number of £0.10 Ordinary shares	**£'000**
Allotted and fully paid		
At 30 June 2019	152,769,812	15,277
Allotted £0.10 Ordinary shares on exercise of employee share options	1,179,709	118
At 31 December 2019	**153,949,521**	**15,395**

During the period 1,179,709 ordinary £0.10 shares were allotted for cash consideration of £603,000 on the exercise of employee share options.

Notes to the financial statements for the six months ended 31 December 2019 (continued)

10. Related party transactions

The Group's related parties are its Directors and IP Group plc, through IP2IPO Ltd, which held 18.6% of the issued share capital at 31 December 2019 (30 June 2019:19.8%)

IP Group plc nominated Alan Aubrey and Robert Trezona as Chairman and a Non-Executive Director respectively, both of whom served throughout the period. Transactions with IP Group plc during the period amounted to £27,000 (H1 2018: £35,000) comprising primarily Non-Executive Director fees of £20,000 (H1 2018: £32,500) and disbursements and other expenses of £7,000 (H1 2018: £2,500).

11. Post balance sheet events

On the 22 January 2020, Bosch agreed to increase its equity shareholding in Ceres from c.4% to c.18% through a combination of new and existing Ceres shares. Weichai has exercised its anti-dilution rights and agreed to retain its shareholding at 20%. Ceres received £38m from Bosch in March 2020 and expects to receive £11m from Weichai in April 2020.

INDEPENDENT REVIEW REPORT TO CERES POWER HOLDINGS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 which comprises the Consolidated Statement of Profit and Loss and Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

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