ceres

Leading developer of clean energy technology

Ceres Annual Report 2022

ceres®

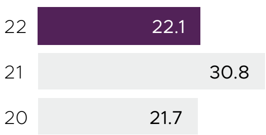
Ceres is a leading developer of clean energy technology for power and green hydrogen, enabling the world's most progressive companies to decarbonise at scale and pace.

Investment in future growth

Financial highlights

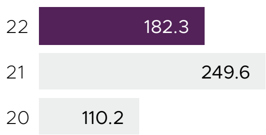
Revenue

£22.1m



Cash, cash equivalents and short-term investments

£182.3m



Strategic highlights

- Hydrogen technology evaluation programme progressing well with Shell for deployment later this year in India
- First 100kW electrolyser module is on test, giving confidence that Ceres' technology can deliver green hydrogen around 25% more efficiently than incumbent lower temperature technologies
- Ceres' fuel cell and electrolysis test facility, developed with Horiba Mira at its site in the UK, is now open and supporting technology and system development
- Continued expansion of Ceres' highly skilled workforce with significant investment in commercial resource in global locations with strong momentum and policy support for hydrogen and fuel cells

Read more on page **08**

www.ceres.tech

Strategic report

01 Investment in future growth
02 Strategic roadmap
03 Reasons to invest
04 At a glance
06 Chair's statement
08 Chief Executive's report
12 Technology review
14 Market review
16 Business model
18 Board engagement with stakeholders
20 Strategy
21 Our key performance indicators
22 Case study: Power generation
24 Case study: Green Hydrogen
26 Sustainability
34 Chief Financial Officer's statement
39 Principal Risks and uncertainties

Corporate governance

42 Chairman's introduction to governance
43 Board of Directors
46 Executive Committee
47 Corporate governance report
52 Audit Committee report
55 Remuneration & Nomination Committee report
58 Directors' Remuneration Report
65 Directors' report

Financial statements

68 Independent auditor's report
75 Consolidated statement of profit and loss and other comprehensive income
76 Consolidated statement of financial position
77 Consolidated cash flow statement
78 Consolidated statement of changes in equity
79 Notes to the consolidated financial statements
106 Company balance sheet
107 Company statement of changes in equity
108 Notes to the Company financial statements
112 Directors and advisers

Clear strategic direction for a net zero world

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.

Positioning

We pioneer advanced technologies and embed them in our partners' companies to meet their strategic imperative to transform to clean energy.

Read more on page **12**

Goal

Multi gigawatts of manufacturing capacity under licence with our partners by 2030.

Read more on page **16**

Strategy

Enabling our licensees to succeed	Commercial scale	Licensing technology leadership

Read more on page **20**

Our values

We commit wholeheartedly

We are creative collaborators

We pioneer with precision

Stakeholders

Wider society

Shareholders

Employees

Suppliers and partners

Read more on page **17**

Reasons to invest

Leading position in the fuel cell market

We have established a leading technology position in solid oxide fuel cell ("SOFC") power systems, which are being demonstrated at up to 85% efficiency in multiple applications and geographies.

Major expansion of our electrolysis activities

Run in reverse our proprietary technology generates green hydrogen at <40kWh/kg, around 25% more efficiently than incumbent lower temperature technologies. We have committed £100 million to develop solid oxide electrolysis ("SOEC") and to demonstrate it at megawatt scale.

Global commercial partners

Ceres aims to achieve scale through strategic collaboration with world-leading partners. To date our manufacturing licence partners have committed more than €500 million to manufacturing scale.

Proud to be a UK technology company

We have assembled one of the strongest teams of scientists and engineers in the global industry for fuel cells and green hydrogen – complemented by a robust and talented management team and Board of Directors.

Asset-light, licensing business model

Our licensing business model differentiates us from vertically integrated companies, whereby we focus on our strengths in electrochemical technology and leverage the expertise of our partners to deliver multi gigawatts of manufacturing scale.

Balance sheet strength

We maintain a strong cash and short-term investment balance to invest in maintaining our technology leadership, enabling our licence partners to succeed and ultimately to deliver clean energy solutions at scale and pace.

Ceres' technology enabled through global partners

Its core cell technology enables high-efficiency energy conversion at low cost, and is able to operate in either fuel cell or electrolysis mode, providing a single product to multiple applications and markets.

250MW
Planned partner capacity

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

570
Employees
2021: 489 employees

Our scalable technology

Solid oxide cell
Ceres' core cell is based on low-cost materials: a ceria ceramic electrolyte and a stainless-steel substrate and interconnect.

Read more on page **12**

Solid oxide stack
Highly differentiated stack technology platform with strong and growing intellectual property and distinct advantages of robustness, efficiency and cost.

Certification and awards

Ceres' Quality Management System is certified to ISO 9001:2015. Certificate number FS 738105.

Ceres Power Limited has been certified by BSI to ISO 14001:2015 under certificate number EMS 761891.

Ceres is listed on the AIM market of the London Stock Exchange and is classified by the LSE Green Economy Mark, which recognises listed companies that derive more than 50% of their activity from the green economy.

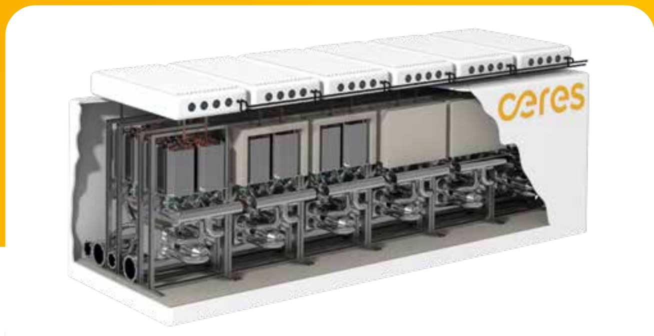
Our operating businesses

Picture: Bosch

ceres power

Leading technology position in solid oxide fuel cells ("SOFC"), being demonstrated in multiple applications and geographies through established global partnerships.

£22.0m
Revenue
(2021: £30.8m)

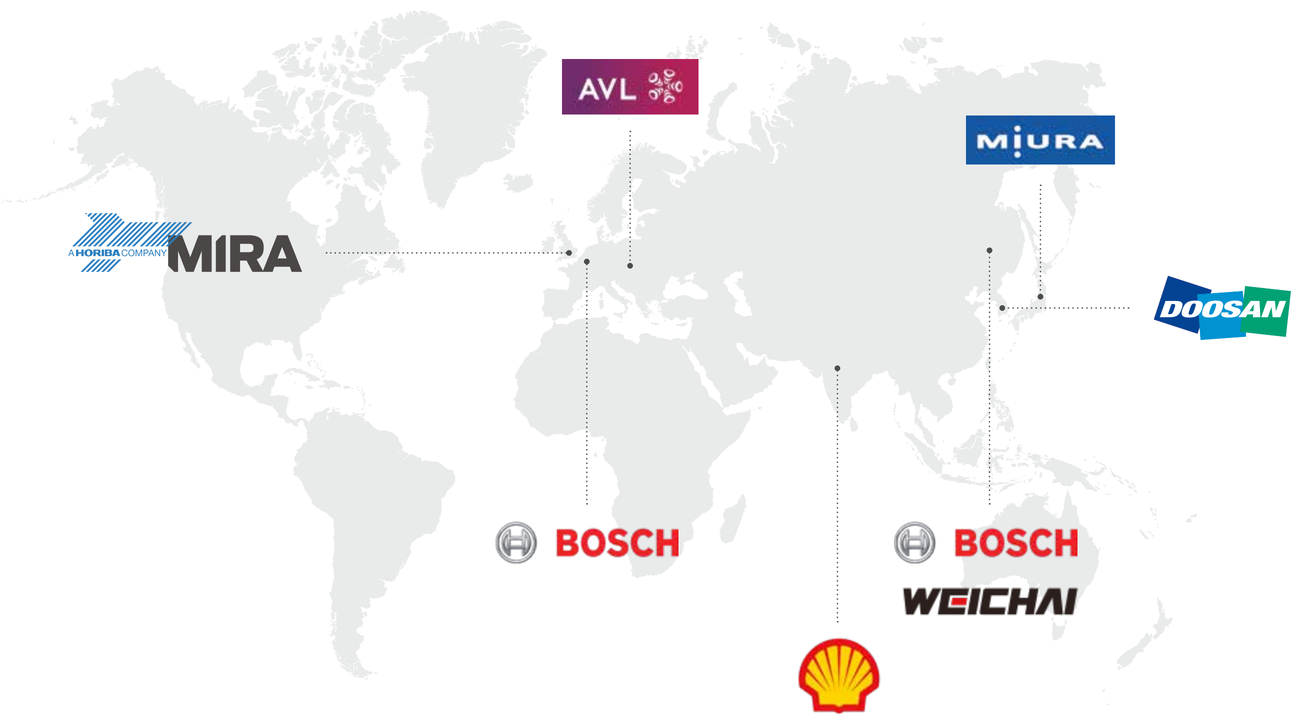


ceres hydrogen

A differentiated SOEC offering for hydrogen, with distinct advantages in efficiency, coupling with industrial processes that are high emitters of carbon dioxide today.

£0.2m
Revenue
(2021: £nil)

Global reach with our partners



Building a strong and sustainable business

Highlights

- Interest for Ceres' clean energy technology continues to grow as energy security and sustainable energy become ever more critical
- Significant effort deployed in maturing our business operations and commercial pipeline of opportunities
- Investment continues in maintaining our fuel cell and electrolyser technology leadership, enabled by a strong cash position
- Progress in Sustainability with the publication of our inaugural Sustainability Report and the formalisation of the ESG Committee as a subcommittee of the plc Board

Dear Shareholders

In my nearly four decades in business, it is hard to think of a more disruptive year than 2022. From surging inflation, the highly transmissible Omicron variant of Covid-19, Russia's invasion of Ukraine which triggered an energy crisis, to extreme climate events including record breaking heat waves and devastating floods in Pakistan – it was a year marked by political, economic and environmental instability.

The soaring price of energy has highlighted the need for increased levels of national self-sufficiency and provided a greater incentive to increase investment in sustainable energy. In the longer term this should provide a supportive backdrop for our business, although the high price of gas may tilt demand for our fuel cell applications more toward Asia. Through these unprecedented times, the demand for Ceres' clean energy technology continues to grow and the Company has maintained a relentless focus on the further development of our technology and building partnerships with progressive global businesses.

The strategy of the business is clear: to enable our licence partners to succeed; to build commercial scale; and to maintain our technology leadership.

Enabling our licensees to succeed

We do not underestimate the commitment that our licence partners make to Ceres by investing substantial financial and human capital into manufacturing our technology at scale. Our engineering teams are working closely together with Bosch and with Doosan to achieve planned milestones as they scale up their production capabilities towards mass market launch in 2024. It is no small effort to scale nascent technology into new markets, and we are glad to have partners of their manufacturing pedigree alongside us on this journey.

Commercial scale

Historically, Ceres has been a research and development focused organisation. As our business approaches full commercial scale we need to grow and mature the commercial and operational parts of the business. This has been a significant focus of the Board and top management team over the last few years, and we now have in place the technical, human and financial resources that will enable us to scale our commercial activities without growing our cost base as rapidly.

It has been a quieter period for commercial announcements, which belies the significant efforts that continue behind the scenes to build a strong pipeline of commercial opportunities with new and existing partners in both fuel cells and solid oxide electrolysis ("SOEC"). SOEC has become an increasing part of our dialogue with potential partners, and we are very encouraged by the growth opportunity it presents. Partly to take advantage of this, we have reorganised and expanded our commercial team, and we expect this investment to bear fruit over the next few years. During the year, a first SOEC development programme was agreed with Shell and we look forward to making further licence updates in due course.

> Through these unprecedented times, the opportunities for Ceres' clean energy technology continue to grow and the Company has maintained a relentless focus on the further development of its technology and building partnerships with progressive global businesses."

Technology leadership

We maintain a strong cash[1] balance to invest in technology programmes including the next generation of fuel cell technology, electrolysis applications for green hydrogen, designing power systems for larger and new applications such as marine and expanding test capability. During the year, Ceres grew its team to 570 people, adding further talented scientists and engineers and ensuring the Company is well-positioned to capitalise on the significant commercial opportunities that exist for its differentiated technology.

Sustainability

At the end of 2022 we published our first standalone Sustainability Report which I would encourage you to read alongside our updated reporting on pages 26 to 33 of this Annual Report.

One of the additional steps we have taken since then has been to formalise the ESG Committee as a sub-committee of our plc Board. I am pleased to be joining the Committee alongside my fellow Non-Executive Directors, Julia King and Trine Borum Bojsen.

It is incumbent on every business to ensure robust oversight of climate-related risks and opportunities. This year Ceres has taken the first steps to integrate the Task Force on Climate-related Financial Disclosures ("TCFD") into our governance and reporting regime. Beyond climate change we believe that an effective approach to sustainability should be underpinned by an analysis of the wider social and governance considerations that are most relevant in the context of our business. As a Board we are committed to supporting the management team to build a long-term sustainable business, which is inextricably linked to doing the right thing for all our employees, our shareholders and for the planet.

1. Comprises cash, cash equivalents and short-term investments.

Board of Directors

Following several changes in 2021, I am pleased to report that our Board has emerged as a strengthened team working very effectively throughout 2022. We have reorganised our committee structure into three: ESG, Audit, and Remuneration & Nomination. Further details on how these committees operate can be found in the Corporate Governance report.

Of note during the period, we have seen Julia King become the Chair of our newly formed ESG Committee and Trine Borum Bojsen take on a new role as our Employee Engagement Director. Eric Lakin has been a great addition to the team as our CFO – complemented as ever by the leadership of Phil Caldwell, who marks ten years as our CEO in 2023.

We say farewell to Steve Callaghan at this year's AGM. Steve has served on the Ceres Board for over ten years, spending a year as Chief Executive, during which he repositioned the business and recruited Phil Caldwell as his successor. He has made a tremendous contribution to the development of Ceres, and we wish him well in all his future endeavours. We are currently recruiting Steve's successor and, as ever, we maintain a strong focus on reviewing and ensuring that the composition of our Board and the mix of skills and diversity of thought evolves along with the business.

What's in a name

You may know that Ceres was the Roman goddess of agriculture, giving rise to the word we are all familiar with, "cereal". In 1801, a newly discovered dwarf planet was named after her, and two years later a newly discovered element, Cerium, was named after the planet – and of course Cerium is the ceramic element at the heart of our technology. You can read more on Ceres' differentiated material set in Phil's CEO report that follows on pages 8 to 11.

Ceres is a name that links both our technology and our mission to keep the planet clean and fertile – and in doing so, deliver future value for our employees, our partners and our shareholders. I would like to thank you for continued support and look forward to updating you on what I hope will be an exciting year ahead.

Warren Finegold
Chair

Leading technology for power and green hydrogen

Highlights

- Investing for growth, with over £58 million deployed in 2022 across R&D, test capacity and manufacturing resulting in a new generation of stack technology
- Ceres partners with some of the world's most progressive companies to deliver global deployment of our technology at scale and pace
- We are building a world-leading team in solid oxide fuel cells and electrolysis, and we have grown Ceres to 570 people
- Our first 100kW electrolyser module is on test scaling to a 1MW demonstrator, and we are confident our technology is ~25% more efficient than incumbent lower temperature technologies

It has been another productive year at Ceres with our first electrolyser modules on test, an exciting new partnership with Shell, and a collaboration with Linde Engineering and Bosch for green hydrogen. We are making good progress on SOFC, with existing partners Bosch and Doosan scaling production, and steps towards establishing our China JV. We have also opened a new test centre with Horiba MIRA in the UK, achieved record cell production at our pilot facility and grown the Ceres team to 570 colleagues.

These are just some highlights of another year of considerable progress, despite the challenging macroeconomic backdrop. Through it all, we remain wholeheartedly committed to the biggest challenge, to address the urgency for climate action. The world is not on track to keep global warming at 1.5°C above pre-industrial levels and we are already starting to see the devastating effects of climate change around us, from cyclones and floods to droughts and heatwaves.

We need to decarbonise our energy system, but we also need to provide energy security, stable power prices and sustainable employment. There are not many companies that have the opportunity to do something truly impactful on a global scale – but I believe that Ceres is one such company. Not only does it have unique clean energy technology that can play an important role in hard-to-decarbonise parts of our energy system, but we sit at the tipping point for our planet, which means the time to act is now.

570
People including many talented scientists and engineers

£58m
Deployed across R&D, test and manufacturing capacity

> “Our target by the end of this decade is to have multiple factories in place producing multi gigawatts of fuel cell equivalent capacity globally.”

It is no longer a question of credibility around technology, but credibility of scale

At our reference manufacturing plant in the UK, we are now producing 2MW of capacity, and by the middle of this decade we will have added 100 times that capacity with Bosch and at least another 50MW with Doosan. By the time our partners start planned series production, they will have invested more than €500 million[1] in scaling our solid oxide fuel cell ("SOFC") technology.

That same technology run in one direction is a highly efficient fuel cell for power generation, run in reverse enables low-cost green hydrogen that provides a vital route to industrial decarbonisation of sectors such as steel, fertilisers and future fuels. We have committed £100 million to the development of its application in solid oxide electrolysis ("SOEC") and the first 100kW electrolyser module is on test ahead of scaling into a 1MW demonstrator. Initial results are positive and give confidence that this technology can deliver green hydrogen at <40kWh/kg, around 25% more efficiently than incumbent lower temperature technologies.

In March 2023, we signed a new agreement with Bosch and Linde Engineering, to assess Ceres' technology for use in large scale industrial applications as a pathway to low-cost green hydrogen. This is our second partnership announcement, following the agreement with Shell to establish a 1MW technology pilot of Ceres' SOEC system at its R&D centre in Bangalore, India. The agreement builds on Bosch's existing expertise in our SOFC technology and combines with Linde Engineering's world-leading capabilities in hydrogen process technology and a global customer footprint in industrial facilities. Our target is to enable the ecosystem of SOEC partners that can make Ceres' technology even more competitive and prepare it for mass adoption at scale.

By the end of this decade, we aim to have multiple factories in place producing multi gigawatts of fuel cell equivalent capacity globally. It is just the start. This is a global challenge and if we want to have a real impact on climate change, technology alone is not enough, we must work with partners to scale globally and at pace.

Collaboration is key

The war in Ukraine has added energy security to the urgency for climate action and in Europe we saw RePower EU's ambitious plans and strong financial incentives to move away from the reliance on gas and support the deployment of green hydrogen. In the US, the Inflation Reduction Act, signed into law last summer saw a record $369 billion earmarked for energy and climate change policy – in a year when disasters from drought in the West to hurricanes in the East and a nationwide winter storm served as a stark reminder of climate perils.

There is simply no turning back to the world of cheap fossil-based energy.

Hydrogen is now widely recognised by most companies and governments as key to enabling the energy transition, at the very least for hard-to-decarbonise industrial sectors that account for around a third of our energy system and more than its share of global emissions. Our partners, Bosch, Doosan, Shell, Weichai and others are among the most progressive companies, seeking and adopting new clean energy technologies at scale and pace, and the good news is that global competition can accelerate us towards achieving net zero. Where previously we spoke about an energy trilemma – where clean, low cost and security of supply were in tension – they now align, and clean energy will be the most secure and affordable into the future.

In 2022, we celebrated our 21st birthday, bringing the entire team together for the first time since before the pandemic. It provided an important pause from the day-to-day challenges to reflect on the past, present and future opportunities for the business and with nearly 500 people in one venue, it was a very visual reminder that we are collaborating with teams of a similar size across our partner organisations at Bosch, Doosan and Weichai.

These first steps towards deployment are vital, but they are not enough. We also seek to grow new partnerships across the globe to enable greater adoption through many more teams of people collaborating on Ceres' technology.

1. www.bosch-sofc.com/about-us/

> Where previously we spoke about an energy trilemma – where clean, low cost and security of supply were in tension – they now align and clean energy will be the most secure and affordable into the future."

Strongest team in the global industry

Our partners come to us because of our technology, but they stay with us because of our people. They are passionate and brilliant and above all resilient, and they need to be because the science and the engineering challenges they are solving every day are hard. We are also working constantly to attract and retain the best people, ensuring they have training and development opportunities, benefits and access to share in the success of the Company. Many of our employees are also shareholders in Ceres – through Long Term Incentive Plans or through our employee save-as-you-earn scheme.

It is an exciting time to be at Ceres. We have a strong purpose, a talented team, and the opportunity to work alongside some of the most progressive companies globally, driving investment and scaling clean technologies. Success is in our hands, but we are not complacent, and we continue to focus on executing our strategy:

- **To enable our licence partners to succeed**
  Our partners are investing significant time and resources into manufacturing Ceres' solid oxide technology, and we have expanded our engineering and specialist teams to ensure these early adopters are supported and successful in deploying new technology into new market opportunities.
- **To build commercial scale**
  We create commercial scale by generating more demand through increasing commercial partnerships and licences, growing applications and addressing new markets. This year we have increased the Commercial teams' presence in several global locations, of which you can learn more about on pages 14 and 15 of this Report.
- **Maintain our technology leadership**
  As a licensing company it is imperative that we stay at the leading edge of our technology – and that is why we continue to innovate, from the next generation of our solid oxide technology, continued innovation of our IP for both fuel cell and electrolyser systems, to digitalisation programmes and what further technologies we may need to hit a net zero future. You can read more on our technologies on pages 12 and 13 of this Report.

Sustainability

The IEA estimates that to fulfil 2050 green hydrogen demand, the world is going to need 3,585GW of electrolyser capacity, so it is little wonder that the conversation is growing around the economic and life cycle impact of raw materials in the electrolysis supply chain. High demand, long processing times, limited supply and an undiversified supply chain have already called into question the price and availability of metals and rare earths to support the viability of large-scale electrolysis.

Ceres' electrolysis stack does not need to use precious metals. Its construction comprises over 95% automotive grade steel by weight, the most widely recycled material globally, and ceria based materials within the active elements of the fuel cell, which is abundant, cost-effective and has multiple sources from multiple countries.

We understand that scaling technology comes with an environmental footprint, and we have undertaken a life cycle assessment of our stack technology where we quantify the potential climate impact of producing our cells, which you can find on the Sustainability section of our website.

We recognise the importance of looking beyond carbon impact to consider the circular economy for raw materials. As a next step we will undertake a full evaluation of the end-of-life recyclability or reuse of our technology, cradle-to-grave, and will seek to lead the industry for our technology, embedding sustainability considerations into the very heart of our development and the transfer of IP under licence to our partners.

> We are collaborating with world-leading partners and we have built one of the strongest teams in the global industry for solid oxide fuel cells and green hydrogen technologies."

Strategy and outlook
In March 2021, we set out a clear strategy on which we continue to execute. Investment across the business enables us to build a sustainable competitive advantage in highly differentiated solid oxide technology. We collaborate with world-leading partners and we have built one of the strongest teams in the global industry for fuel cells and green hydrogen. All of this gives me confidence that we will deliver on our ambition to develop and deploy clean energy technology at the scale and pace needed to decarbonise our energy systems, and in doing so make a tangible difference for ourselves, our families and friends, and generations to come.

Phil Caldwell
Chief Executive Officer

Ceres' technology platform for power and green hydrogen

"This year has seen £58 million deployed in research and development[1] towards continuous innovation in our cell technology, to higher power and future fuel use in fuel cell systems, and to the scaling of our first-of-a-kind megawatt scale electrolyser demonstrator.

It is an exciting time to be at Ceres. We have the right mission, and some of the most talented people in the world working on this technology – and with global partners driving investment and manufacturing scale we have the potential to be one of the cornerstone clean energy technologies in the world."

Caroline Hargrove
Chief Technology Officer

1. Investment in the future, as defined on page 35.

Stay ahead on technology through continuous innovation and investment in research and development

Ceres' core cell technology has matured dramatically in the last ten years with significantly improved new versions being offered to licence partners. Running in one direction, the fuel flexible solid oxide cell can generate power from conventional fuels, such as natural gas, and from sustainable fuels including biofuels or hydrogen. Run in reverse as an electrolyser, it can generate green hydrogen at high efficiencies and low cost. Development efforts have seen the power density of technology triple, degradation rates become world-class, life projections for products increase significantly, electrical efficiency rise to greater than 60% and most importantly cost projections reduce to meet commercial requirements.

Innovation is fundamental to our partnerships. Partners are relying on us to do the deep technology innovation, to continuously improve performance of our core cells, so that it becomes increasingly economical to deploy this clean technology at scale and pace across different applications and markets.

Enable manufacturing partners to establish global supply to meet the demand

Ceres aims to achieve manufacturing scale through partnerships and the ecosystem is growing, with Bosch and Doosan targeting 200MW and 50MW of production capacity respectively by 2024, and a third manufacturing facility planned in China to follow.

Ceres has highly skilled engineers and technicians across our business – who build strong relationships with our licence partners, transferring technology and know-how required for them to set up their own manufacturing facilities. Our engineering teams then continue to work closely with our partners to jointly develop further enhancements around the IP for the benefit of both partners and Ceres in engineering and manufacturing operations.

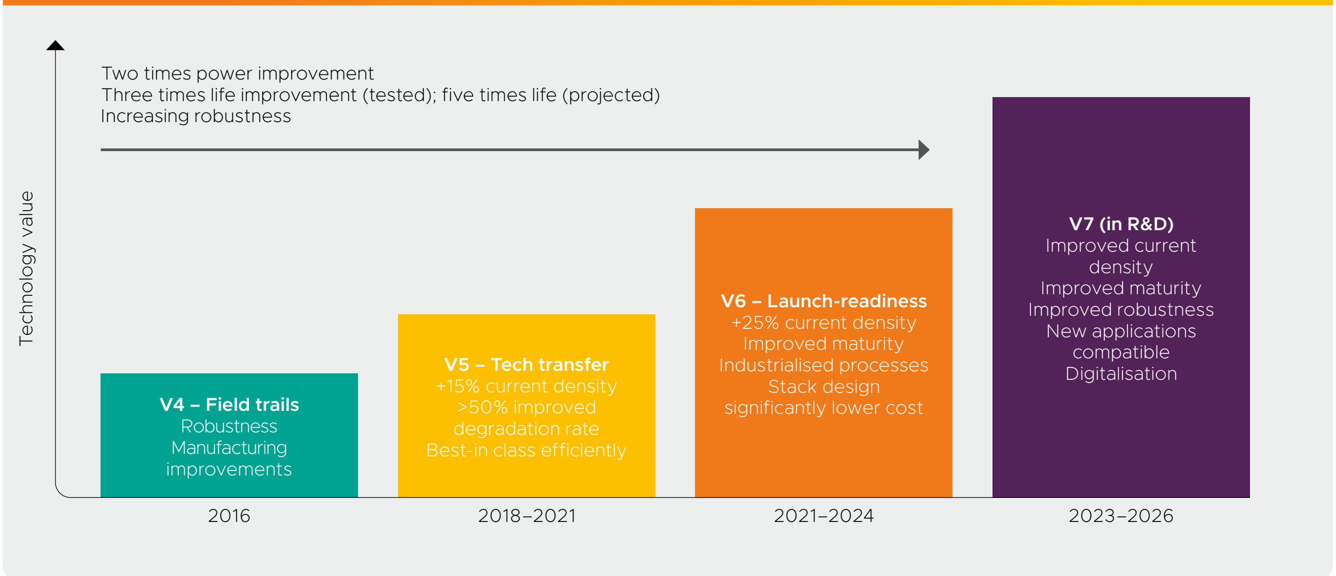
Our own reference manufacturing plant in the UK produced over 200,000 cells in 2022, which were built into 5kW stacks to feed both our internal R&D activities and to supply our development partners for their testing and trials. To support our testing capabilities, we opened a new fuel cell and electrolysis test facility during the year, based at Horiba Mira's West Midlands site in the UK. It is now open and supporting Ceres' core technology and system development.

Enable system partners to embed the technology into as many applications as possible

At Ceres, we work with partners whose expertise lies in industrialising products for mass production on a global scale. The gold standard for any commercial products is that they work for ten years or more in operation. As innovators of our technology, we cannot afford to wait around for ten years to get full validation before we roll out new and upgraded technologies. We are developing trusted digital twins, or models, to give us faster insights into our performance, allowing us to predict with increasingly reliable accuracy how it will perform under a wide range of operating conditions.

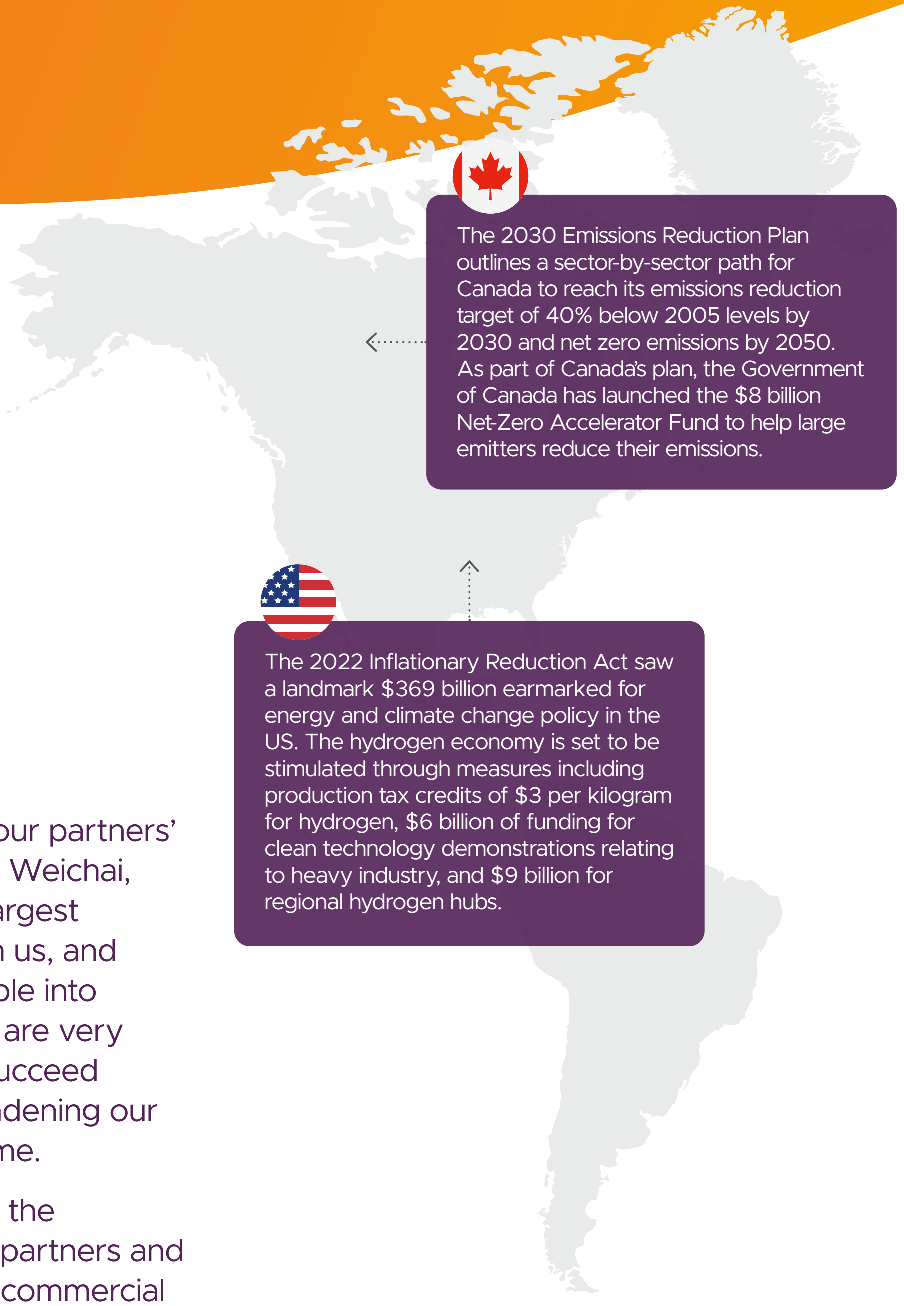
Our modelling capability is strengthening fast, and we are developing digital twins, that will become a vital part of what we do to help us understand and push the capabilities of our technology, as well as enable our partners to design ever more efficient and robust systems, more quickly. Over the next few years, we expect to be using AI, not only to optimise our designs and processes, but also to develop brand new materials. We are sowing the seeds for that today. We will no doubt also develop innovative new stack and system improvements as well as new manufacturing approaches and ways to test and monitor our cells and stacks, delivering world-leading efficiency and lifetime performance.

Continued improvement of cell and stack technology



Investing in global commercial capability

Macroeconomic environment for decarbonisation supported by global policy for net zero and energy security.

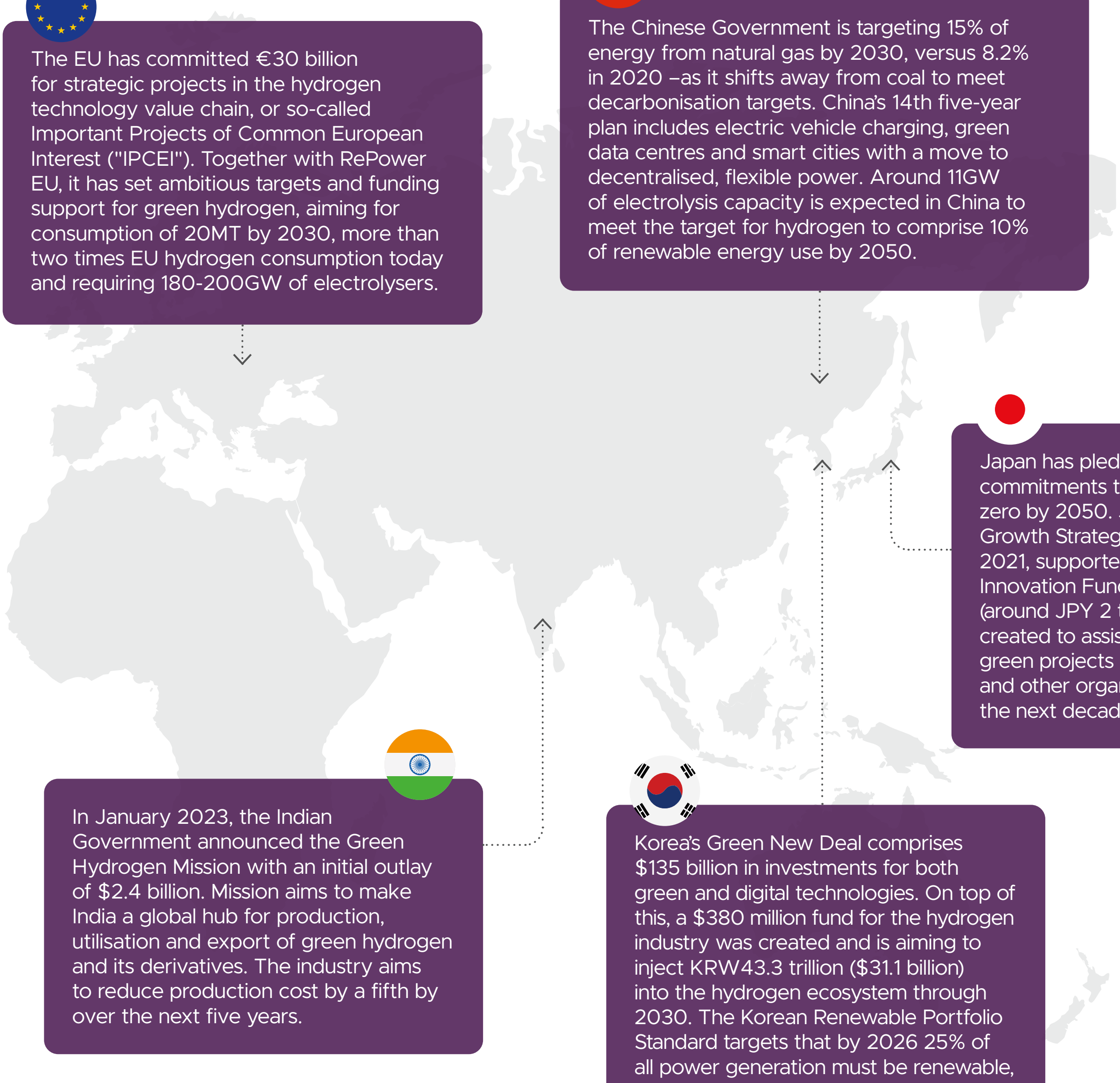


“

Our success is determined by our partners' success. In Bosch, Doosan and Weichai, we have some of the world's largest companies placing their trust in us, and their investment and their people into scaling up our technology. We are very focused on enabling them to succeed and on strengthening and broadening our relationships with them over time.

In parallel we continue to grow the ecosystem of potential licence partners and we have purposefully built our commercial firepower to align with the global momentum for fuel cells and green hydrogen.”

Tony Cochrane
Chief Commercial Officer



The EU has committed €30 billion for strategic projects in the hydrogen technology value chain, or so-called Important Projects of Common European Interest ("IPCEI"). Together with RePower EU, it has set ambitious targets and funding support for green hydrogen, aiming for consumption of 20MT by 2030, more than two times EU hydrogen consumption today and requiring 180-200GW of electrolysers.

The Chinese Government is targeting 15% of energy from natural gas by 2030, versus 8.2% in 2020 –as it shifts away from coal to meet decarbonisation targets. China's 14th five-year plan includes electric vehicle charging, green data centres and smart cities with a move to decentralised, flexible power. Around 11GW of electrolysis capacity is expected in China to meet the target for hydrogen to comprise 10% of renewable energy use by 2050.

Japan has pledged climate commitments to reach net zero by 2050. Japan's Green Growth Strategy launched in 2021, supported by a Green Innovation Fund of $15 billion (around JPY 2 trillion) was created to assist ambitious green projects by companies and other organisations over the next decade.

In January 2023, the Indian Government announced the Green Hydrogen Mission with an initial outlay of $2.4 billion. Mission aims to make India a global hub for production, utilisation and export of green hydrogen and its derivatives. The industry aims to reduce production cost by a fifth by over the next five years.

Korea's Green New Deal comprises $135 billion in investments for both green and digital technologies. On top of this, a $380 million fund for the hydrogen industry was created and is aiming to inject KRW43.3 trillion ($31.1 billion) into the hydrogen ecosystem through 2030. The Korean Renewable Portfolio Standard targets that by 2026 25% of all power generation must be renewable, with fuel cells running on natural gas qualifying under this definition.

Asset-light, licensing business model

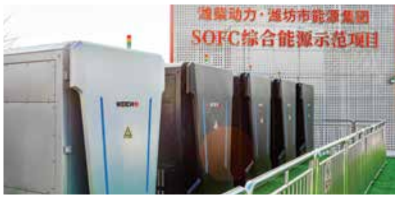
Ceres aims to build an ecosystem where manufacturing partners, today Bosch and Doosan, will supply stacks to system partners, generating royalties on both the stacks and systems sold.

Our competences

Read more on our technology on page **12**

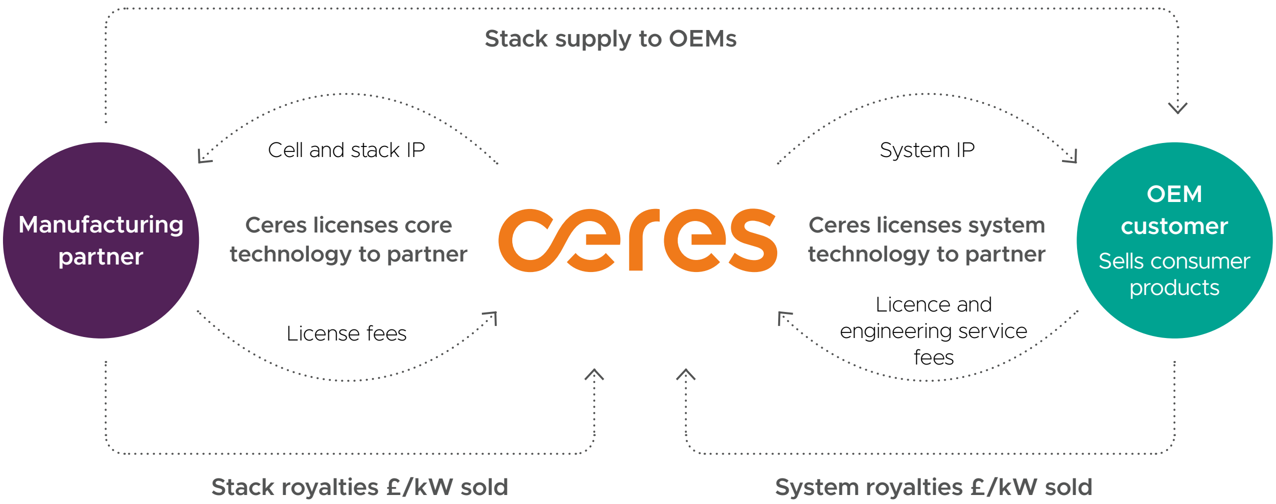
Stay ahead on technology through continuous innovation and investment in R&D

Enable manufacturing partners to establish global supply to meet this demand



Enable system partners to embed the technology into as many applications as possible

How we create value



How our business model works

Ceres has an asset-light, licensing business model which is intended to generate high-margin revenues at all stages of engagement. These include engineering services fees to help develop products, licence fees to access our IP, providing prototype stacks to enable development of products, and royalty fees based on kWs of sales by partners into their end markets.

Manufacturing partners license core cell and stack technology for mass manufacture, and systems partners license system technology for integration into clean energy technology products. Currently, Ceres' pilot facility provides stacks into our partners' development programmes and some into early commercial sales of products.

Future revenues will be based largely on royalties from products made by partners. This model allows Ceres to focus on its research and development programmes, with licensee partners providing the industrialisation and manufacturing skills and marketing capabilities.

The value we create

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 stacks can create power while emitting low or even zero carbon and minimal emissions. We can also use stacks to make green hydrogen, a key enabler to net zero.

Entries received for the 2022 Reimagine schools competition

21

Entries

Shareholders

Ceres shareholders can expect to 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 SDGs. Our licensing model delivers high-margin revenues in the power generation space and we have opportunities with SOEC for the significant green hydrogen markets of the future.

Investor meetings over the year

252

Meetings

Employees

Ceres 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, with the Ceres Academy, have employee development and talent management programmes.

Employee engagement rate in our groupwide survey

76%

Engagement

Suppliers and partners

We aim to play a central role in the transition to clean, affordable power and green hydrogen to help tackle the effects of climate change and air pollution. By collaborating closely with suppliers and partners, 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.

As a signatory, we procure in accordance with the 10 principles of the UN Global Compact

10

Principles

Read more on our Board engagement with stakeholders on page **18**

Statement by the Directors with regard to their duties under S172(1) Companies Act 2006 for the year ended 31 December 2022

S172(1) imposes a duty on Directors to act in a way most likely to promote the success of the Company whilst having regard to its many and varied stakeholders. The Board is responsible for the long-term sustainable success of the Company as a whole and inextricably linked to this success are the views and needs of its stakeholders.

The Board has identified the Company's stakeholders as set out in these pages. It believes that it has at all times acted in a way that it considers, in good faith, would benefit the Company as a whole and where stakeholders may be impacted, has considered their views in its decision making.

Through the various engagement mechanisms set out in these pages, the Board ensures that it is cognisant of the views of stakeholders in all its discussions. Examples of how stakeholder views have influenced Board decisions and activity are demonstrated in this section.

How we engage

Stakeholder	Key importance	Engagement mechanisms
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 • RNS and press announcements • Face-to-face meetings and calls • Capital Markets days and webcasts • Digital channels • Investor events • Annual Report
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.	• Regular engagement across the Company, including our commercial operations and technical programmes • Company representatives located globally • Independent surveys or discussions • Use of advanced supply chain management tools
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.	• Monthly All Hands meetings • All-employee offsite events • New-joiner lunch with the CEO • Employee share options • Employee surveys and feedback • Roundtable lunches with the Chair of the Board • Employee Engagement Director • Employee Forum Connect
Wider society	To generate social and environmental impact, which is part of the Company's core purpose.	• Community initiatives, such as Reimagine in collaboration with STEM Learning UK • Website and public reporting • ESG reporting and accountability
Industry	To maintain the Company's technology leadership and reputation in the global fuel cell and electrolyser industry, we are a key player in research opportunities and look for partnership opportunities to further progress the technology and infrastructure required to meet our strategic objectives.	• Participation in industry conferences • Publication of white papers and thought leadership • Membership of industry bodies and associations • Collaborations with academic and research institutes
Regulators/legislators	To ensure the Company is fully compliant with all necessary laws and regulations to keep our colleagues and the Company safe in the pursuit of our goals.	• Forums, meetings and conferences • Board updates on relevant changes in legislation and regulation • Retention of advisers and consultants where appropriate

Links to stakeholders

Shareholders
Employees
Industry
Suppliers and partners
Wider society
Regulators/legislators

Board decisions and activity

Sustainability strategy and report

The Board approved the Company's Sustainability strategy and in conjunction with this, the first Sustainability report for publication. The Board considers that an effective approach to Sustainability is underpinned by analysis of the wider social and governance considerations to ensure we are doing the right thing for our people, our communities and our planet.

Key stakeholders considered:

New Committee of the Board – ESG Committee

The restructure of the Board and its Committees and the introduction of a dedicated, Board-level ESG Committee demonstrated the Board's commitment to ESG reporting, engagement and accountability.

Key stakeholders considered:

New Non-Executive Director search

The commencement of a search for new Non-Executive Directors will bring further diversity to the Board and ensure thoughtful and effective decision making in the pursuit of the Company's strategic objectives. Ensuring the Board is comprised of the relevant skill sets and that it is continuously evaluated and strengthened provides assurance to our shareholders that the Company is led by a strong and dynamic Board.

Key stakeholders considered:

Employee Engagement Director appointed

The Board appointed Trine Borum Bojsen, Non-Executive Director as the Employee Engagement Director. Trine has significant experience in the renewable energy sector which gives her invaluable insight into the day-to-day work of our colleagues. This appointment will ensure there is a clear channel for the views and needs of our colleagues to be fed directly into Board decision making. The appointment was made in the latter part of the year and the role will develop further in 2023.

Key stakeholders considered:

21st Birthday event

The Chair of the Board attended and participated in the 21st Birthday Company wide event in November 2022. This direct interaction in a more informal setting with colleagues from across the entire business ensured that colleagues felt the Board was truly engaged with the operational activities of the business and importantly, was available to hear and discuss their views.

Key stakeholders considered:

Modern Slavery Statement for the year ended 31 December 2021

The Board approved the Company's first Modern Slavery Statement responding to the requirements of the Modern Slavery Act 2015. The Company was not required to make such a statement but did so to demonstrate its zero tolerance approach and its commitment to ensuring no form of modern slavery or human trafficking was present in its business or supply chains.

Key stakeholders considered:

Developing the governance framework

In anticipation of the desired move up to the Premium Listing on the Main Market of the London Stock Exchange, the Board has overseen and approved the review and development of a number of policies and related documents during the year. It has refreshed and restructured its Committee structure to ensure effective and efficient use of time and has reviewed and updated its Matters Reserved to the Board and Committee Terms of Reference. Compliance with regulators and legislation underpins the Company's activities and seeking to achieve high standards of governance and compliance is a key focus for the Board.

Key stakeholders considered:

A clear strategic vision

Our strategy is to pioneer advanced technologies and embed them in the products of world-class companies to meet their strategic imperative to transform to clean energy. Our strategy is based on the three drivers below, with a goal to have multi gigawatts of manufacturing capacity under licence with global partners by 2030.

1 Enabling our licensees to succeed

We aim to support our manufacturing partners to start mass production by 2024 through delivery of our Gen 2 stacks.

- We are supporting Bosch and Doosan 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.

Links to KPIs
1 2 5

Links to risks
1 2 6

2 Commercial scale

We create commercial scale by generating more demand though increasing commercial partnerships and licences, growing applications and addressing new markets.

- We aim to bring in new manufacturing partners as well as secure the manufacturing entity in China.
- We aim to attract multiple system partners and OEMs to drive demand of the Ceres fuel cell stack in volume.

Links to KPIs
2 3 4

Links to risks
5

3 Licensing technology leadership

We maintain our technology leadership in both SOFC and SOEC and drive further innovation.

- We engage in technology demonstrations and data-sharing initiatives that offer early evidence of the benefits of Ceres' SOFC and SOEC technology.
- We continue to innovate our IP for both fuel cells and electrolysers.

Links to KPIs
6

Links to risks
3 4

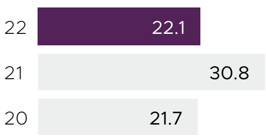
For more information on risks, please see page **39**

Our key performance indicators

Financial KPIs

1 Revenue

£22.1m

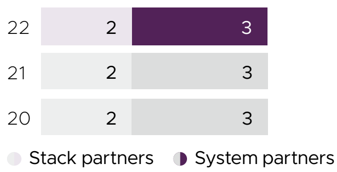


Description
Revenue reduced compared with 2021 primarily due to deferral of the China JV and related licence fee revenue, however Ceres continues to deliver revenue at high margins.

Links to strategy: 1

2 Number of licensing partners (at 31 December)

5

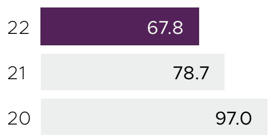


Description
Doosan and Bosch are our stack manufacturing partners, with Weichal, Doosan and Miura as system partners.

Links to strategy: 1 2

3 Order backlog (at 31 December)

£67.8m



Description
"Order backlog" refers to confirmed contracted revenue including revenue which management estimates is contingent upon options not under the control of Ceres.

Links to strategy: 2

Non-financial KPIs

4 Overall manufacturing capacity

2022 performance
250MW.

Description
Planned stack manufacturing capacity from our partners.

Links to strategy: 2

5 Partner programmes delivery

2022 performance
Bosch and Doosan programmes on track for 2024.

Description
We aim to ensure that our manufacturing partners start mass production as planned.

Links to strategy: 1

6 Demonstrate SOEC

2022 performance
Successful demonstration at module level in 2022 and on track for 1MW scale in 2023.

Description
We are looking to demonstrate SOEC at 1MW scale.

Links to strategy: 3

Links to strategy

1 Enabling our licenses to succeed
2 Commercial scale
3 Licensing technology leadership

Case study

Power generation

39%

BP's forecasted increase in global energy demand by 2030

7.1TW

The World Meteorological Organization's ("WMO") estimate of clean energy capacity to be installed by 2030 to reach the Paris Agreement's long-term global goal.

320,100 tonnes CO_2

The carbon saved each year from powering 200,000 homes with our stationary fuel cells running on hydrogen compared to a 200MW UK power station – to find out more visit our carbon saving calculator.

The largest contributor to global greenhouse gas ("GHG") emissions is from the use of energy: electricity and heat production, industry, transportation, and other energy accounts for around 70% of all global anthropogenic GHG emissions according to the Centre for Climate and Energy Solutions. Decarbonising these vast sectors is a great challenge, but also a huge opportunity.

Global energy demand is estimated to increase by 39% by 2030 as forecasted by BP. Decarbonising our current grid whilst facilitating this increase in energy demand will require 7.1TW of clean energy capacity to be installed by 2030 according to the WMO. To address this, countries require highly efficient, scalable, fuel flexible and environmentally friendly power generation systems.

Ceres' SOFC technology and the stationary fuel cell systems developed by our partners addresses this market as it can generate electricity at much higher efficiencies than traditional methods using multiple fuel sources: we calculated a 45% reduction in CO_2 emissions compared to consuming electricity from the centralised grid of the average G20 country whilst using natural gas. To discover multiple use cases and the associated emissions savings try our online carbon saving calculator.

Distributed power

Across our energy systems, there is a need to reinforce power grids that are coming under increasing demand from electrification. Stationary fuel cells systems such as those developed by our partners using Ceres' technology provide highly efficient, scalable, fuel flexible and environmentally friendly power generation systems for use in many applications.

Commercial power

Our technology is ideally suited to a wide range of commercial power applications, including decentralised power plants in cities, power for data centres, backup power for off-grid applications and commercial CHP. Clean power provided by fuel cells brings simplicity, lower cost, improved efficiency and a much lower carbon footprint.

Shipping

The decarbonisation of shipping is being driven by regulation and targets from the International Maritime Organisation ("IMO") with the industry proactively adopting technologies and fuels to help meet these targets. Ceres is currently developing a modular-based system for a range of marine applications including coastal, portside and offshore. Our fuel-flexible technology is robust, durable and handles vibration well, with straightforward integration and in-life servicing making it well suited to marine environments.

Case study

Green hydrogen

Hydrogen from low-emissions sources has an important role in the energy transition with potential to replace fossil fuels in sectors where few clean alternatives exist, such as industry, heavy transport, shipping and agriculture.

x91

BloombergNEF estimate of worldwide electrolyser production growth needed to meet 2030 demand

3,585GW

IEA estimate of global electrolyser capacity needed to meet the 2050 demand for green hydrogen)

<40kWh/kg

Ceres testing has demonstrated delivery of green hydrogen around 25% more efficiently than incumbent technologies

The recent global volatility has only served to highlight the urgency for energy security, with governments under increasing pressure to decarbonise their economies and hydrogen now widely acknowledged as an essential part of the route to net zero.

Companies around the world are already ramping up electrolyser production, green hydrogen plants are under construction, and the industry is finally making the leap from pilot projects to industrial scale. The International Energy Agency ("IEA") estimates that the world will need 3,585GW of electrolyser capacity to meet the demand for green hydrogen in 2050, an increase from 1GW of installed capacity today. It is no longer an issue of credibility around technology but a question of credibility around scale.

Today, Ceres is addressing the significant market for electrolysis through a differentiated offering for hydrogen, with distinct advantages of efficiency, coupling with industrial processes that are high emitters of carbon dioxide today. The technology uses commonly found materials that can be mass produced at low cost with a limited carbon footprint. Ceres has committed £100 million to the development of SOEC and early testing has added confidence that this technology will deliver green hydrogen at <40kWh/kg, around 25% more efficiently than incumbent technologies.

Green steel
Low-cost green hydrogen is particularly well-suited to hard-to-decarbonise sectors such as green steel production, which today uses a lot of heat and coal as a reducing agent. Ceres' SOEC technology is well-suited to integration with industrial processes where waste heat can be utilised to increase efficiency.

Future fuels
Ceres' SOEC technology is well-suited to integration with synthetic fuel production processes where waste heat can be utilised to increase efficiency. Hydrogen can be used to synthesise fuels where higher energy density fuel is required in shipping and aviation. Methanol, ammonia and methane can all be synthesised from hydrogen and are being considered as future energy carriers and in zero carbon power generation.

Gas blending
Natural gas grids can be decarbonised with an injection of green hydrogen. Existing natural gas infrastructure can accommodate significant quantities of hydrogen to enable low carbon heating for residential and commercial buildings. Where natural gas is used for heat in industrial processes, further blending of hydrogen can reduce carbon intensity.

Whilst on our mission to tackle climate change, we strive for a positive impact on all stakeholders

"The way the world views energy is changing for the better. The increase in climate-related disasters is driving global commitments to net zero and accelerating the energy transition. Ceres plays a central role in this transition to a clean energy system with its unique technology that delivers both low carbon power and green hydrogen. What drives the business and the employees at Ceres is tackling climate change and its strategy toward sustainability is no different.

Ceres addresses climate change directly through its products. It has also made major strides in its sustainability practices and disclosures over the past year; in environmental, social and governance aspects. The Company wide initiatives and disclosures are to ensure Ceres is doing its utmost to further the development of the five United Nations Sustainable Development Goals that it can tangibly contribute to. This is good for the planet, our people and the business, and is ensuring we are prepared for the opportunities and risks that come from the changing climate and a changing world."

Julia King
Non-Executive Director

Sustainability at Ceres

7 AFFORDABLE AND CLEAN ENERGY

Affordable and clean energy

To achieve global carbon reduction commitments the energy transition must occur simultaneously, in multiple sectors and geographies, at both scale and pace. Ceres' unique licensing model embeds its technology in the products of international partners such as Bosch, Doosan, Shell and Weichai. This delivers the scale investment for manufacturing and commercialisation to make a global impact by decarbonising some of the most energy intensive sectors. Through licensing, Ceres aims to deploy multi gigawatts ("GWs") of global capacity by 2030, displacing up to 1.6 million tonnes of CO_2 per GW each year. The equivalent of the average emissions of almost half a million people for every GW installed.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, innovation and infrastructure

Limiting global temperature rise needs a rethink of our energy systems. This includes reinforcing existing power grids to cope with electrification and intermittency and addressing 'hard to decarbonise' sectors such as heating, industry, data centres, heavy transport and shipping. Ceres is a pioneer in solid oxide technology for fuel cells and electrolysis which will play an essential part in the transition to a future energy system. Ceres will enable global change and facilitate innovation in clean energy systems by continuing to lead the sector with advanced technologies for fuel-flexible low to zero carbon power generation and electrolysers for green hydrogen.

Sustainable cities and communities

Ceres takes a holistic approach to climate change and sustainability which is underpinned by wider social and governance considerations. This includes expanding and investing in its workforce and developing people to deliver today's technologies and the innovation needed for a green energy future. Operations and culture are aligned with purpose at Ceres, ensuring successful technology transfer to its partners and a positive impact on the communities in which it operates.

Responsible consumption and production

Whilst the rapid deployment of this technology accelerates the world to a net zero future, Ceres is aware of its own environmental impact. As the Company grows, Ceres has taken the first steps to evaluate its own emissions including analysing and reporting on our Scope 3 emissions alongside Scopes 1 and 2. Although Ceres' absolute emissions will increase in the short term, it aims to reduce the carbon intensity of its operations and will start, this year, working through a full carbon reduction pathway based on Science Based Targets initiative ("SBTi") guidance to achieve net zero emissions before 2050. This is included as a metric for executive remuneration. See Carbon Emissions for more.

Climate action

We aim to reach multi GWs of global capacity through our partners by 2030. Each GW of capacity has the potential to displace up to 1.6 million tonnes of CO_2 each year when running on natural gas, compared to the conventional grid in an average G20 country. If run on hydrogen, it can displace over 3.5 million tonnes of CO_2 annually for every gigawatt installed. In addition to emissions savings of deploying our technology, we aim to minimise the impact of our technology on the environment as we strive to reduce the CO_2 per kW of producing our stacks as set out in our life cycle analysis on page 31.

Sustainability in our governance

The responsibility on every business to ensure proper oversight of climate-related risks and opportunities has never been higher. Ceres conducts all business activities in an honest, ethical and socially responsible manner, aiming to align with best practice and to be a responsible employer. The Ceres Code of Ethics and Business Practice sets out this behaviour as a good corporate citizen which applies to interactions with, and between, our employees, but also with broader stakeholders, including the partners, suppliers, shareholders, and wider society. For more information, please refer to the Governance section on our website.

Key sustainability components:

- This year the Board established an ESG Committee, which will meet for the first time in 2023 and is Chaired by Julia King. It operates in conjunction with the existing Operational ESG Committee, Chaired by Phil Caldwell. To read more about the Committees of the Board see the Corporate Governance section starting on page 41.
- Commencing in 2022, ESG including climate-related risks were included in Ceres' corporate risk reporting process. The Chief Executive, as Chair of the Operational ESG Committee, is responsible for identifying, managing, and mitigating these risks. These feed into the Group's risk review process, which is reviewed by the Audit Committee and ultimately owned by the Board.
- Specific ESG related KPIs are being introduced for the Executive team, proposed by the ESG Committee and agreed by the board. Delivering our first TCFD report and achieving a net zero strategy form part of Executive remuneration for 2023.

Developing our strategy and reporting

Progress in 2022

Sustainability Accounting Standards Board ("SASB") aligned

Ceres is using the SASB framework for accounting standards and disclosure guidance on financially material sustainability measures. We understand our corporate performance on all dimensions of sustainability, our SASB report is available on the Sustainability section of our website.

ISO 9001 and ISO 14001 Certification

Ceres is proud to have achieved ISO 14001:2015 for its Environment Management System, minimising the environmental impact of our operations. Certificate number EMS 761891. Our Quality Management System is certified to ISO 9001:2015 (FS 738105).

Streamlined Energy and Carbon Reporting ("SECR")

We have been reporting against SECR disclosures since 2020, and we have achieved SECR verification for our Scopes 1, 2 and limited Scope 3 emissions for 2021. We have continued to strive to understand of our own emissions in 2022, again reporting on our SECR verified Scopes 1, 2 and limited Scope 3 emissions for this year and we are seeking a deeper Scope 3 analysis in our Sustainability Report later in the year.

Targets for 2023

Net zero pathway

In 2023, we will begin establishing a net zero pathway to reduce our greenhouse gas emissions based on SBTi guidance, and work with an independent third party on this. Establishing a net zero strategy by the end of 2023 is part of the executive remuneration KPIs.

Beginning our Task Force for Climate-related Financial Disclosures ("TCFD")

This year, Ceres will start TCFD analysis, both as it is the gold standard for climate-related disclosures and as a requirement to fulfil our ambition to transition from our UK AIM listing to a Premium Listing on the Main Market of the London Stock Exchange.

Task Force on Climate-related Financial Disclosures

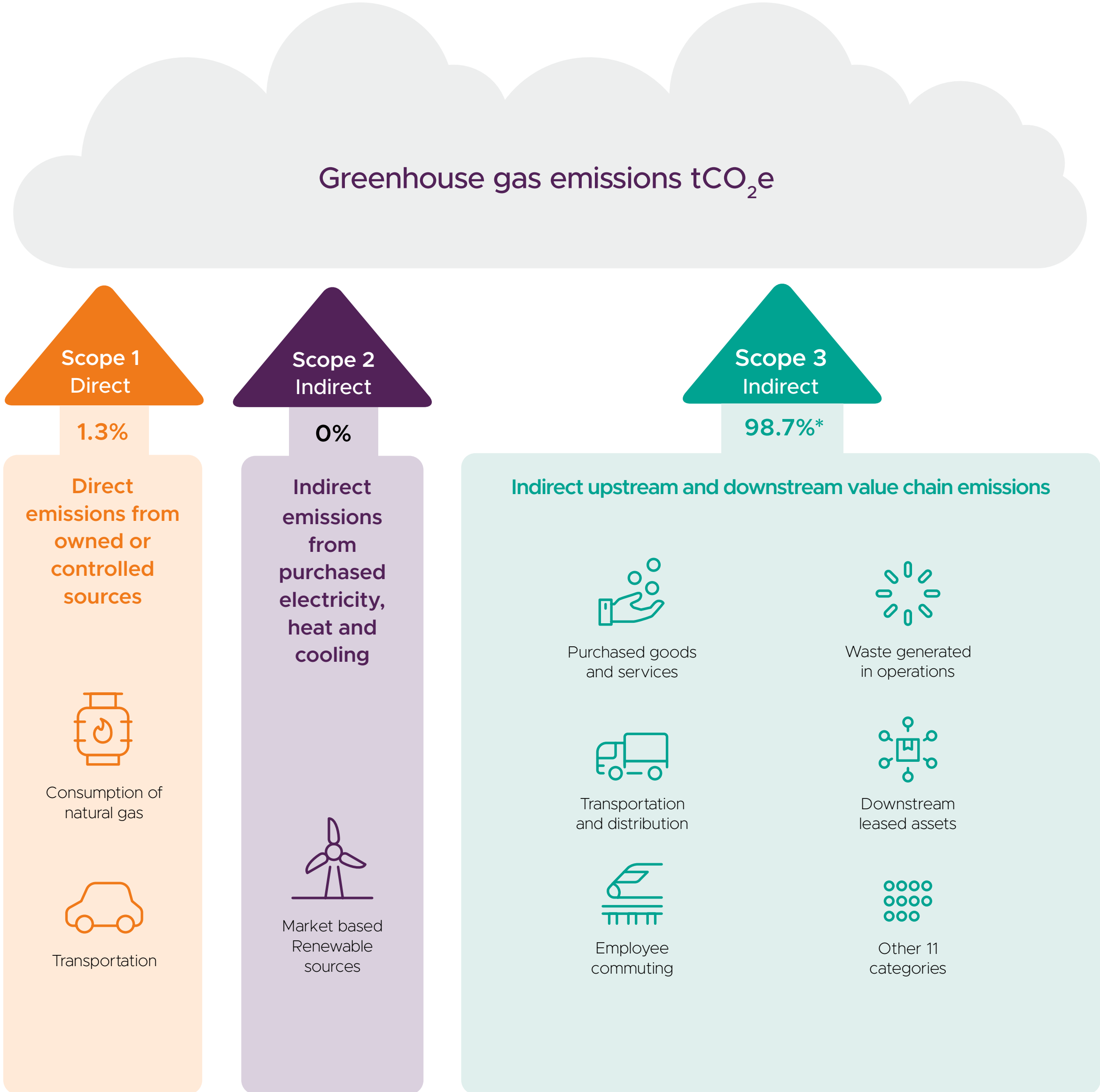
Recognising the economic risks and opportunities inherent in a changing climate, and the clear and consistent disclosure necessary to capture this climate-related risk assessment is crucial to ensure Ceres is a sustainable business for years to come. This will allow us to continue to gain partners and deploy our technology at scale and pace around the world well into the future.

The table below has been given voluntarily and shows our initial progress and considerations ahead of starting our TCFD analysis and the publication of our TCFD report later in the year.

Recommendation	Recommended disclosures
Governance: Ceres' oversight of climate-related risks and opportunities	• The Board is responsible for the Group's risk framework, which includes climate related risks and opportunities. The CEO bears ultimate responsibility for reporting on climate-related risks. • We have taken steps to formalise the review of risks and actions by the establishment of an ESG Committee of the Board creating an independent sustainability group, which will assess and review all climate-related risks and opportunities. **2022 progress: The ESG Committee has been formalised as a Committee of the Plc Board, comprised of Julia King as Chair, Warren Finegold, Trine Borum Bojsen and Phil Caldwell, and sustainability KPIs were introduced into executive remuneration.**
Strategy: The actual and potential impacts of climate-related risks and opportunities on the Ceres' businesses, strategy and financial planning	• We work collaboratively with partners to deploy our carbon saving technology whilst striving to understand the impacts of climate-related risks on our own business, and the impact on our partners as they seek to scale up our technology. • Our sustainability strategy focuses on adapting to climate change, whilst reducing our own emissions and most importantly ensures our product offering enables our partners to tackle the climate problem effectively. **2022 progress: As the design authority, Ceres evaluates the environmental footprint of our technology and embeds life-cycle considerations into our designs and the technology transfer to our partners, promoting responsible practices and influencing behaviours in the manufacturing, scale up and longer-term disposal of our technology.**
Risk management: The processes used by Ceres to identify, assess and manage climate-related risks	• Climate change is a key risk, and a cross disciplinary ESG risk register has been compiled by the executive and management team. • The register spans areas covering ESG issues, with each focusing on a shifting landscape over various time periods. Each risk is assigned a severity, probability of occurrence, and impact on the business and Group with proposed responses and analysis of post-mitigation severity. **2022 progress: Commencing in 2022, ESG including climate-related risks were included in Ceres' corporate risk reporting process. These feed into the Group's risk review process, which is reviewed by the Audit Committee and ultimately owned by the Board.**
Metrics and targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities	• Metrics to assess climate-related risks and opportunities include climate risk and environmental profiling data including life cycle analysis, water use, energy use and carbon emissions. • We will continue to disclose our greenhouse gas ("GHG") emissions, see page 31 for Scopes 1, 2 and limited Scope 3 SECR verified emissions reporting. • Achieving a net zero strategy will become part of executive remuneration this coming year. **2022 progress: Our inaugural Sustainability report includes ESG policies, metrics, and data and SECR reporting covering our carbon emissions data.**

Carbon emissions breakdown

This chart provides a visual breakdown of our Scopes 1, 2 and Scope 3 emissions sources. *Percentages of emissions based on 2021 data. Our in depth scope 3 emissions analysis for 2022 to be published in our sustainability report later in the year.



Streamlined energy and carbon reporting

As our partners adopt our technology at scale and build gigawatt capacity, Ceres' clean energy technology will enable the reduction of carbon emissions globally. Ceres is expanding its operations to meet the growing demands of an increasing number of partners, technologies and ambition. This will inevitably increase emissions in the short term. This short-term increase is significantly outweighed by the impact our technology has on the world's ability to decarbonise.

Since 2020, Ceres has been improving its disclosures on carbon emissions, and in 2021 we worked with Ricardo Energy and Environment ("Ricardo") as an independent third party to analyse our Scopes 1, 2 and 3 emissions.

Ricardo verifies that our data sources are robust, ensures we work towards calculation improvements and provides limited assurance that based on the procedures and process conducted, we offer a fair representation of GHG data in accordance with ISO 14064-1 and the GHG Protocol Corporate Standard.

This year, we will again disclose our Scopes 1, 2 and 3 emissions, which include zero Scope 2 emissions as our electricity is guaranteed as renewably sourced until September 2024. SECR verified Scopes 1, 2 and limited Scope 3 emissions are published in this report, with the calculation of the remaining Scope 3 emissions to be published later in the year in our Sustainability report.

Streamlined Energy and Carbon Reporting ("SECR") for the 12 months to December

Below we provide a year-on-year comparison of the SECR verified Scopes 1, 2 and limited Scope 3 emissions presented in our 2021 Annual report. A more detailed picture of our Scope 3 emissions for 2021 is available in our Sustainability report, published online in October 2022. We will endeavour to publish this more complete picture of our emissions for 2022 as soon as the detailed analysis has been completed.

SECR verified emissions

Disclosure	Description	2020 Energy (kWh)	2020 Emissions[1] (tCO_2e)	2021 Energy (kWh)	2021 Emissions[1] (tCO_2e)	2022 Energy (kWh)	2022 Emissions[1] (tCO_2e)
Scope 1 Direct emissions	Fuel used in transport and consumption of natural gas[2]	1,997,664[3]	368	2,168,437	398[3]	2,243,492	411
Scope 2 Indirect emissions	Electricity used for operations (location-based method for emissions)	4,901,240	1,143	5,481,294	1,164	6,340,242	1,226
	Electricity purchased and used for operations (market-based method for emissions)	4,901,240	861	5,481,294	Nil[4]	6,340,242	Nil[4]
Scope 3 Other indirect emissions	Fuel used in personal vehicles for business travel	55,404[3]	14	50,014	12	69,931	17[5]
Total	**Total SECR verified carbon emissions (market-based)**	**6,954,308**	**1,243**	**7,699,744**	**410**	**8,653,665**	**428**

Footnotes: 1. CO_2e calculated from fuel used in company vehicles, electricity purchased, and natural gas consumed for ongoing operations, converted to tCO_2e using government-approved conversion factors. 2. Other gas use and emissions from test stands and international travel excluded. 3. Values updated relative to 2020 and 2021 Annual Report data as SECR reporting refined. Fuel used in personal vehicles previously reported as leased vehicles, thus sitting in Scope 1 instead of the correct Scope 3 emissions. 4. Starting from October 2020, we secured 100% renewable energy supply until September 2024, certified by TotalEnergies which assures our energy supply is backed by relevant Renewable Energy Guarantee of Origin ("REGO") certificates. 5. Fuel used in personal vehicles for business travel, upstream supply chain and downstream in-use emissions SECR Verified as of March 2023.

Life cycle analysis

Cradle to gate emissions

Substage	1kW stack (kg CO_2e)	5kW stack (kg CO_2e)
Raw materials	295	1,192
Manufacturing	136	643
Transport	6	32
Total	**437**	**1,867**
Total/kW	**437**	**373**

As well as understanding our own carbon emissions we have undertaken a cradle-to-gate life cycle assessment to give clarity to the environmental impact of our current generation fuel cell stacks; both a 1kW and a 5kW power system stack. Through our licensing model, our stacks will be used in numerous different applications, but for comparison a power system running on natural gas will save 7.92tCO_2e per year when compared to the average G20 nation grid, making the payback time in terms of carbon footprint less than 12 months. As the design authority, we seek to lead the industry for our technology, embedding sustainability considerations into the very heart of our development and the transfer of IP under licence to our partners. Decisions on next generation technology are already being made with consideration to further reduce carbon intensity.

Social

Early careers

In collaboration with STEM Learning UK, Ceres hosted our inaugural Reimagine competition in 2022. A science animation competition for secondary schools in the southeast of England, it aims to inspire the next generation of innovators and creatives to think about the global climate challenge and to bring their own creativity to tackling the mission for net zero. Now in its second year, the competition seeks to encourage a greater diversity of students into science, technology, engineering and maths ("STEM") and maybe just find some new ways for STEM and arts to collide and collaborate.

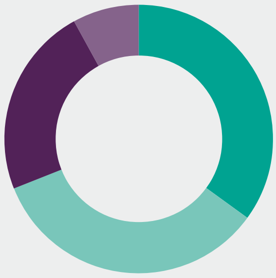
The Ceres People team also lent their time and expertise to local high schools in Horsham to support students with CV writing, interview skills and techniques.

Community impact

"The Springboard Project" was Ceres' nominated charity of the year, where members of the Ceres team generously donated toys to their Christmas "Giving Tree" appeal as well as volunteering support at their annual children's Christmas party.

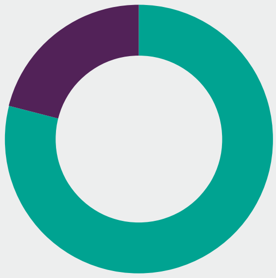
Our Connect employee forum leads Ceres' efforts in engaging with our local community and our activities throughout the year included support for the homeless through our Wrap Up London and Brighton & Hove campaigns, organised coffee mornings in aid of Macmillan Cancer Support and many joined the midnight walk raising money for the Chestnut Tree charity.

Workforce: 2022 split by roles



	2021	2022
Engineer:	171	**221**
Technician:	166	**170**
Other:	113	**144**
Scientist:	39	**35**

Workforce: 2022 gender split



	2021	2022
Male:	80% (393)	**79% (451)**
Female:	20% (96)	**21% (119)**

In November 2022, we celebrated our 21st birthday bringing the entire team together for the first time in several years. It was an important pause from the day-to-day challenges to reflect on the past, present and future opportunities for the business and with nearly 500 people.

Diversity, equity, belonging and inclusion

We call it DEBI and it encompasses our belief that talent and ingenuity stem from a variety of perspectives and experiences. As an organisation and a group of people, we have an open and inclusive culture. Find our diversity and inclusion policy on our website.

During 2022 we celebrated events including Pride week with our Rainbow Café, and raised funds for our Charity Partner Switchboard, allowing them to open a new LGBTQ+ helpline number this year. Other events for employees include our buddy scheme, where new employees are assigned a buddy from outside their team, to support with knowledge sharing and integration. We also run a reverse mentorship scheme, where senior colleagues can learn from others around their lived experiences and challenges they have faced at work, arming them with knowledge to support equality, diversity and inclusion.

We have revitalised the Ceres Horsham offices creating our collaboration space, encouraging employees to collaborate in new ways and creating an inclusive environment for all.

We also hosted our first World Day for Cultural Diversity, which saw our 42 represented nationalities within Ceres celebrate a veritable feast for both our technical centre and our production site, with dishes from across the world gracing our canteen spaces.

Development and progression

Ceres was proud to launch our apprenticeship scheme in 2022 and welcome on board our first cohort of apprentices who are working towards an HNC level 4 Engineering Manufacturing Technician qualification and enjoying learning all about our technology and manufacturing operations.

In addition to practical experience, we continue to invest in training and development across the Company, introducing new programmes including the Scientist of Yourself, project management and agile training alongside our existing bespoke Ceres Academy training courses and offering. We are proud to have made over 70 promotions and rotations of roles across the Company during the year.

Health and safety

In 2022, the Total Recordable Incident Rate ("TRIR") for the Group was 0.18, continuing a downward trend from 0.36 the previous year. Ceres has continued to achieve zero Reporting of Injuries, Diseases and Dangerous Occurrences ("RIDDORs") year on year.

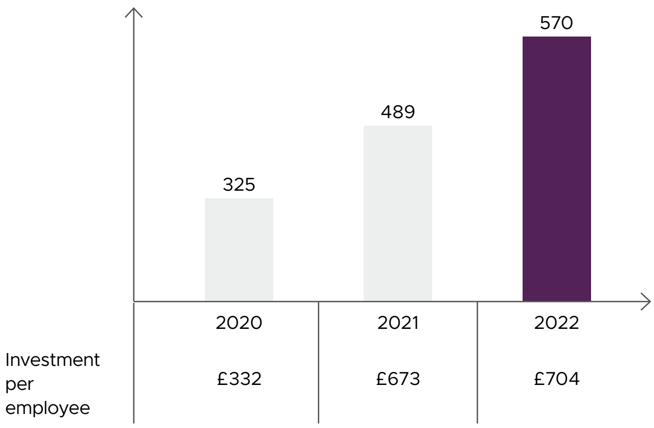
Supply chain

As a signatory to the UN Global Compact we procure in accordance with the Ten Principles, ensuring Human Rights, Labour, Environment and Anti-Corruption risks and impacts are considered as part of our procurement strategies and decisions. During 2022 we introduced our first Procurement Policy, and internal Sustainable Procurement and Supply Chain Assurance policies, all aligned to ISO 20400. Collectively these policies set out the standards we measure ourselves and our supply chain against. We are proud that our Environmental Management Systems was ISO 14001 certified in 2022, demonstrating the progress we are making on managing environmental impacts in our supply chain. Looking forward, we will build on the successes of 2022 by introducing our first Supplier Code of Conduct and supplier manual, setting out clearer expectations and standards for suppliers, as we strive to continually improve supply chain sustainability.

Engagement and retention

In our first Gallup 12 Groupwide survey, we achieved a good score of 76% overall engagement, from a 66% completion rate, and 280 suggestions for improvement. Our overall retention rate dropped to 84% in 2022, broadly in line with and reflecting the post-pandemic movement of people witnessed across all industries. Exit interviews are conducted with all leavers to understand reasons for leaving and identify potential opportunities for improvement.

No. of employees



42
Nationalities represented

76%
Groupwide survey engagement rate

Board approval

The Strategic Report set out on pages 2 to 40 has been approved by the Board

Eric Lakin
Chief Financial Officer

Focused investment for the future

"Ceres has a significant role to play in the multi-decade energy transition. Given our business model, it's vital that we continue to invest in our capability to harvest our IP and develop long-term sustainable competitive advantage for our partners in the clean power and hydrogen markets. This is why – notwithstanding short-term fluctuations in license fee revenue – we continue to invest in leading-edge technology and commercial capacity to drive growth for the future."

Introduction

2022 was another year of significant investment for Ceres, with continued engagement and progress with our strategic partners in the solid oxide fuel cell (SOFC) business. In June 2022, we also entered into a Technology Evaluation Agreement with Shell for our solid oxide electrolyser cell (SOEC) technology.

We have continued to invest in the business to further drive innovation and support future growth in areas such as prototype and test capacity, energy materials, product and systems engineering, future fuels capabilities and the development of our SOEC technology. We have also expanded the business development function and now have a presence in North America, India, Japan, Germany, China, South Korea and the UK.

Reporting on the results

The Group reported revenue of £22.1 million in 2022, compared with £30.8 million in the prior year. Almost all of the Group's revenue in 2022 related to the fuel cell business. As reported in November 2022, the signing of the China JV contracts has been delayed to 2023 impacting the timing of the associated licence fee revenue recognition. Gross margins reduced to 59% (2021: 62%*), reflecting the reduction in high-margin licence fee income recognised in the year compared with 2021.

As noted in our Interim Results, the phasing of revenue in 2022 and 2023 is highly sensitive to the timing of signing new licence agreements.

1 2021 gross margin restated (previously 66%) to reflect the classification of the RDEC tax credit within other operating income rather than offsetting cost of sales.

£22.1m
Revenue
(2021: £30.8m)

£58.4m
Investment in the future
(2021: £34.9m)

£182.3m
Cash and short-term investments
(2021: £249.6m)

Other income of £1.3 million (2021: £2.2 million) relates to grant income, and now includes our RDEC tax credit as well as grant funding towards projects.

The order book[1] reduced to £67.8 million as at 31 December 2022 from £78.7 million at 31 December 2021; with new order bookings more than offset by the recognition of revenue primarily on existing contracts with our partners Doosan and Bosch during the year. Going forwards, the order book will continue to vary based on the timing of contracts won, and revenue recognised from them.

Ceres Power: Fuel cells

The SOFC part of the business recorded revenues of £22.0 million (2021: £30.8 million) and a gross profit of £12.9 million (2021: £19.0 million), with the reduction compared with the prior year reflecting the deferral of the China JV and the expected recognition of associated upfront licence fee revenue. The segment's Adjusted EBITDA[2] loss increased to £21.6 million (2021: £4.5 million). Investment in research and development ("R&D") for SOFC increased by 48% to £29.1 million (2021: £19.7 million).

There will be continued investment in SOFC in 2023 to support future expansion, and so the level of losses or future profitability of this part of the business will continue to be highly influenced by the level of SOFC licence fee revenue recognised in a given period, until royalty revenue streams become material. Another notable investment is the development of our second generation of fuel cell technology, which will offer improvements in power density, durability and cost.

Ceres Hydrogen: Electrolysis

We plan to invest £100 million in the development of our SOEC technology and we are now two years along this journey and making good progress. Our SOEC business recognised revenue for the first time in 2022, of £0.2 million (2021: £nil), from a contract with a potential new partner in Asia to evaluate the Group's SOEC technology. The SOEC business recorded an Adjusted EBITDA[2] loss of £21.7 million (2021: £12.2 million). This was primarily driven by a 66% increase in R&D activities to £19.2 million (2021: £11.6 million), particularly around the investment in our "first of a kind" 1MW demonstration unit for use in the contract with Shell. We made good progress in the year with the first Electrolysis Cell Module ("ECM"), which forms part of the demonstrator, now on test with encouraging early results with respect to green hydrogen production efficiency.

Focused investment for the future

Throughout 2022, we continued to invest in both capabilities and people to support our partners, deliver our technology roadmap and drive future growth.

Our employee base includes specialist expertise such as highly skilled engineers; electrochemistry and materials scientists; and test and stack technicians, and remains our most valuable strategic resource. Total employees increased to 570 by the end of 2022 compared to 489 at the end of the prior year.

Overall R&D costs increased by 54% to £48.3 million compared to 2021 of £31.3 million as planned with our expansion of both our SOFC business and development of our SOEC business.

Capitalised development in the year, which currently only relates to ongoing SOFC development, increased to £5.8 million compared to £4.6 million for 2021 and we hold net £13.3 million capitalised to date. Amortisation of this to the income statement was consistent with the prior year, as expected, at £1.0 million (2021: £1.0 million).

Our investment in property, plant and machinery increased to £13.3 million (2021: £7.4 million), and was principally on manufacturing improvement, automation and capacity expansion, as well as expanding our test infrastructure. This continued investment also resulted in increased depreciation of £5.5 million in 2022 compared to 2021 of £4.2 million.

Going forward, we plan to continue to grow our test capability to support the expected growth of our partners, and also enable additional market opportunities including new SOFC applications such as marine and alternative fuels, and SOEC development. We also intend to expand our manufacturing capacity for prototypes and demonstrators for both SOFC and SOEC products. Consequently, we expect our capital expenditure to continue to be at higher levels in 2023.

Overall, this "investment in the future[3]" (R&D costs, capitalised development and capital expenditure) increased 67% to £58.4 million (2021: £34.9 million). The £58.4 million comprises £40.2 million in R&D (excluding depreciation, amortisation and share-based payments), £12.4 million in capital expenditure and £5.8 million in capitalised development.

As a result of these planned investments, consistent with the capital raise and strategy to develop our electrolysis technology, the Group reported an increased operating loss of £51.5 million in 2022, up from a loss of £23.4 million in 2021.

In December 2022, Ceres concluded a deferral of the option agreement to acquire the remaining shares of RFC Power Ltd ("RFC"), which is a "Long Duration Energy Storage" R&D business with proprietary manganese flow battery technology. This option is now exercisable in the period 1 January 2024 to 30 April 2024, having previously been exercisable between May 2022 and November 2022. Simultaneously, Ceres invested a total of £2.0 million in RFC, comprising £1.0 million funding capital as well as entering into a joint development agreement to advance the progress of this promising technology. Consequently, Ceres' holding of RFC increased to 24.2% from 8.4%, and our investment in associates increased to £2.5 million (2021: £0.5 million).

Strong financial position: the foundation for continued progressive growth

The Group ended the year with a strong liquidity position of £182.3 million in cash and short-term investments (31 December 2021: £249.6 million) reflecting the investment in the business as described above. Finance income increased to £2.8 million (2021: £0.4 million) reflecting the improved rates applied to the Group's floating rate deposits and higher rates available when rolling over maturing fixed rate deposits.

Equity free cash outflow (defined and reconciled to net cash from operating activities on page 38) was £68.4 million (2021: £32.0 million), being driven by net cash used in operating activities of £51.5 million (2021: £20.3 million), capital expenditure of £12.4 million (2021: £7.4 million) and capitalised development of £5.8 million (2021: £4.6 million), with the balance from interest receipts and exchange rate movements.

Other significant movements in the balance sheet included inventories increasing to £5.7 million (31 December 2021: £3.1 million) reflecting increased activity at our manufacturing facility to meet anticipated demand for our fuel cells and component parts to support our partners' development and scale-up activities. We recognised net contract liabilities of £3.1 million which is a change in position against 31 December 2021, when we had net contract assets of £3.0 million, with the movement reflecting timing differences between recognising revenue and issuing invoices to customers. Trade receivables increased to £11.8 million (2021: £2.6 million) primarily reflecting a number of significant invoices raised in the last quarter of 2022 with two major customers. Of the £11.8 million due at 31 December 2022, c.£10 million was received in the first two months of 2023.

Financial outlook

We continue to invest across the business to build a sustainable competitive advantage in highly differentiated solid oxide technology, which offers the potential for superior efficiencies, reliability and economics for low carbon power generation and the production of green hydrogen. The government funding announced by the EU and the USA for clean energy technologies in 2022 reinforces the opportunities for our international partners to utilise Ceres' world-class technology to manufacture fuel cell and electrolysis systems at scale, to support the rapidly growing, global demand for low carbon electrons and molecules where they are needed.

Eric Lakin

Chief Financial Officer

1. Order book refers to contracted revenue bookings, and now excludes other operating income.
2. See page 38 for the definition of Adjusted EBITDA, which is an Alternative Performance Measure.
3. The Group defines "investment in the future" as being the total of the Group's R&D (excluding depreciation, amortisation and share-based payments), capitalised R&D and capital expenditure.

Consolidated statement of profit and loss
for the year ended 31 December 2022

	2022 £'000	2021 £'000 Restated[1]
Revenue	22,130	30,776
Cost of sales[1]	(9,079)	(11,731)
Gross profit[1]	13,051	19,045
Other operating income[1]	1,332	2,228
Operating costs	(65,905)	(44,703)
Operating loss	(51,522)	(23,430)
Finance income	2,830	438
Finance expense	(304)	(380)
Loss before taxation	(48,996)	(23,372)
Taxation credit[1]	3,872	2,280
Loss for the financial year	(45,124)	(21,092)
Adjusted EBITDA[2]	(43,230)	(16,675)

1. The 2021 taxation credit has been restated to increase the credit by £310,000 following the adjustment of prior year R&D tax credit claims and a related tax provision reported in 2021. The 2021 cost of sales, gross profit and other operating income have further been re-presented to reflect the classification of the Group's RDEC tax credit within other operating income in the 2022 results. Previously the amount was offset against cost of sales. The impact of this change was to increase 2021 cost of sales and other operating income, and reduce gross profit by £1.3m.
2. See page 38 for the definition of Adjusted EBITDA, which is an Alternative Performance Measure.

Segmental reporting: analysis of results between fuel cells and electrolysis

The results of the Group's two segments, being Power (SOFC) and Hydrogen (SOEC) are reported below, down to Adjusted EBITDA level.

	Year ended 31 December 2022			Year ended 31 December 2021		
	SOFC £'000	SOEC £'000	Total £'000	SOFC £'000	SOEC £'000	Total £'000
Revenue	21,950	180	22,130	30,776	—	30,776
Cost of sales[1]	(9,070)	(9)	(9,079)	(11,731)	—	(11,731)
Gross profit[1]	12,880	171	13,051	19,045	—	19,045
Other operating income[1]	1,332	—	1,332	2,228	—	2,228
Operating costs (excluding adjusting items)	(35,769)	(21,844)	(57,613)	(25,765)	(12,183)	(37,948)
Adjusted EBITDA[2]	(21,557)	(21,673)	(43,230)	(4,492)	(12,183)	(16,675)

1. 2021 cost of sales, gross profit and other income has been re-presented to reflect the classification of the Group's RDEC tax credit within other operating income, as set out on the prior page.
2. See page 38 for the definition of Adjusted EBITDA, which is an Alternative Performance Measure.

Consolidated cash flow statement

for the year ended 31 December 2022

	2022 £'000	2021 £'000
Loss before income tax	(48,996)	(23,372)
Non-cash adjustments	5,939	6,697
Movements in working capital	(8,085)	(6,745)
Income tax (paid)/received	(380)	3,078
Net cash used in operating activities	(51,522)	(20,342)
Investing activities		
Investment in associates	(1,000)	—
Purchase of property, plant and equipment	(12,347)	(7,377)
Capitalised development expenditure	(5,832)	(4,573)
Decrease in long-term investments	5,000	3,000
Net increase in short-term investments	(24,668)	(23,898)
Finance income received	1,443	438
Net cash used in investing activities	(37,404)	(32,410)
Financing activities		
Proceeds from issuance of ordinary shares	873	181,472
Expenses from issuance of ordinary shares	—	(2,572)
Cash paid on behalf of employees on the sale of share options	—	(7,490)
Repayment of lease liabilities	(744)	(405)
Finance interest paid	(212)	(316)
Net cash (used in)/generated by financing activities	(83)	170,689
Net (decrease)/increase in cash and cash equivalents	(89,009)	117,937
Exchange gains on cash and cash equivalents	863	563
Cash and cash equivalents at beginning of year	151,455	32,955
Cash and cash equivalents at end of year	63,309	151,455
Short-term investments	119,011	93,129
Long-term investments	—	5,000
Cash, cash equivalents, short- and long-term investments	182,320	249,584

Non-GAAP results – Alternative Performance Measures ("APMs")

The Group uses certain APMs to better describe certain performance metrics, which assist management to understand the underlying trading performance of the business, as set out and explained below.

Reconciliation between operating loss and Adjusted EBITDA

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

Unaudited	2022 £'000	2021 £'000
Operating loss	**(51,522)**	(23,430)
Depreciation and amortisation	**7,138**	5,760
Share-based payment charges	**997**	2,615
Exchange gains	**(863)**	(563)
Unrealised losses/(gains) on forward contracts	**1,020**	(1,057)
Adjusted EBITDA	**(43,230)**	(16,675)

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

The Group defines equity-free cash flow as net cash from operating activities plus capital expenditure, 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 year.

Unaudited	2022 £'000	2021 £'000
Net cash from operating activities	**(51,522)**	(20,342)
Capital expenditure (total)	**(18,179)**	(11,950)
Interest receipts/(payments) (net)	**487**	(283)
Exchange rate movements	**863**	563
Equity-free cash flow	**(68,351)**	(32,012)

The Audit Committee plays a central role in the review of the Group's risk and internal control processes, supporting the Board's role in overseeing an enterprise-wide approach to risk identification, management, and mitigation.

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 Audit Committee assists the Board in monitoring the effectiveness of our risk management and internal control policies, procedures, and systems.

The Executive Directors are responsible for identifying, managing, and mitigating the risks to the Company. The Executive Directors review the risks facing the Company at Executive committee meetings and with senior management across operations as a core part of day-to-day operations of the business. There is a bi-annual review process to assess the risk register at corporate level, and programme and project specific risks are reviewed at project level.

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

Principal business risks and mitigation actions are set out below. This summary is not intended to include all risks that could ultimately impact our business and the risks are presented in no particular order. We have considered possible risks resulting from the conflict in Ukraine, including potential disruption to our supply chain, as well as areas such as cyber security and climate change, and following internal investigations do not believe any new principal risks need to be captured. Beyond these, our business has other operational risks that we manage as part of our daily operations, such as health and safety, environmental, financial, commercial, legal, and regulatory. Finance risks are discussed in Note 20 of the financial statements.

Trend directions: Increasing Decreasing Unchanged

Principal risks	There is a risk that...	Actions taken by management/mitigations	Change	Link to strategy
1 **Core technology development**	We will not be able to develop and apply the Group's technology successfully to potential products at the right cost point or performance, in the time frame anticipated.	Management is working to achieve agreed performance level and cost points under ongoing programmes, with full resources and facilities deployed to meet milestone requirements. During the year we have invested in upgrading our test infrastructure and capacity via outsourcing agreements. We have also increased the headcount for technology development activities.	Unchanged Challenges remain due to short timescales and the risk of late changes driven by development issues, delayed test validation and maturing manufacturing processes.	*Enabling licensees to succeed*
2 **Partners' market launch**	We may not be able to meet the timeframes agreed with the partners for the market launch of the Company's technology, for example due to stack product maturity not keeping up with commercialisation, or technology not meeting requirements	We continue to work in close collaboration with partners in their trials and early market launches. Project teams on both sides have been enhanced.	Unchanged No change. Progress has been made towards market launches with our partners. There remains a risk around the development and validation of stack attributes that may take longer than planned, impacting go-to-market timing or revenue linked to specific milestones.	*Enabling licensees to succeed*

Principal risks	There is a risk that…	Actions taken by management/mitigations	Change	Link to strategy
3 **Intellectual Property 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. We are implementing IP Centricity, a programme with tools for tracking and managing IP assets. 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.	Progress had been made to ensure we are able to protect and exploit our IP.	*Enabling licensees to succeed*
4 **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. We may not be successful in our research and development efforts and may not be able to create new intellectual property.	We address different geographical markets, which we believe will decarbonise at different rates, and we are broadening the applications available, mitigating failure in a single market or product. We monitor competitor activity and market developments to identify partner and end-user future requirements. We have dedicated resources for pursuing disruptive innovation, and continue to develop our university network. Our first electrolysis control module is successfully running and producing hydrogen at our site in Horsham, and we are working with our partners to validate the technology.	We continue to increase our pipeline of customers which mitigates the impact of individual customers choosing not to move forward.	*Licensing technology leadership*
5 **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. We may be unable to finalise a strategic partnership to access China markets. We may be unable to establish SOEC as a credible technology, in part due to the competition risk.	We work in close partnership with Doosan and Bosch to achieve the 2024 go-to-market timeline. Our commercial progress is continuing with expansion across regions and applications. We plan to ensure SOEC leadership through development, demonstrations, and partnerships. We have invested to expand our commercial teams in key geographies, to align with the greatest interest and support for hydrogen and fuel cell technologies.	As reported in November 2022, negotiations continue around the joint venture agreements with Bosch and Weichai. Progress in the development of SOEC technology is reducing the risk.	*Commercial scale*
6 **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, testing capacity, supply chain, short-term manufacturing or technical issues.	We have reinforced our engineering and supply chain teams and established additional processes to support growth. We have created partnerships in engineering and testing to enable scaling up more quickly. We are continuing to expand capacity and capability of our facilities that support research and development activities, developing over time to support the move to a digitalised business environment.	We are building up the business to be in a better position to meet the challenges of our customers' expectations.	*Licensing technology leadership*

Corporate governance

42 Chairman's introduction to governance
43 Board of Directors
46 Executive Committee
47 Corporate governance report
52 Audit Committee report
55 Remuneration and Nomination Committee report
58 Directors' Remuneration Report
65 Directors' report

"Our purpose, culture and values drive dynamic and robust decision making. The Board believes in healthy and constructive debate to ensure the decisions it makes are in the long-term sustainable interests of the Company."

Dear Shareholder,

On behalf of the Board I am pleased to present the Corporate governance report to you for the financial year ended 31 December 2022.

2022 has been a year of significant development for the Board, with new appointments made early in the year establishing themselves, adding real value and building our effectiveness. My sincere thanks go to Steve Callaghan, who will step down from his role as Senior Independent Director and Non-Executive Director of the Company at the Annual General Meeting in 2023. The search has begun for two new Non-Executive Directors (more details can be found in the Remuneration & Nomination Committee Report). Diversity of gender, social and ethnic background, cognitive and personal strengths are all vital characteristics of any appointment to the Board as we aim to ensure the decisions we make take into consideration the needs of our stakeholders and the business.

Governance underpins all business activities and during the year the Board reviewed its own governance structure, adjusting the committee structure and remit to make the most efficient use of time and focus appropriately; to better align discussion topics and decisions; and importantly to bring ESG more specifically into focus with a dedicated ESG Committee at Board level. More details can be found in the Corporate Governance section.

We are committed to listening to and understanding the views of our shareholders and other stakeholders. This is critical to the execution of our strategy (set out in the Strategic Report). More details on how we have engaged with our stakeholders are set out in the S172 Statement in the Strategic Report.

As we continue to work towards a move up to the Premium Listing on the Main Market of the London Stock Exchange, I am grateful to all our colleagues for the enormous amount of work undertaken to drive the business forward during this past year and in creating a foundation of solid governance on which the business can thrive.

Warren Finegold
Chair of the Board

Board of Directors

Committee membership key

- (A) Audit Committee
- (RN) Remuneration & Nomination Committee (effective from 2 November 2022)
- (R) Remuneration Committee (until 2 November 2022)
- (NG) Nominations & Governance Committee (until 2 November 2022)
- (E) ESG Committee (will meet formally in 2023)
- (D) Disclosure Committee
- ● Chair of Committee

Warren Alan Finegold
Chair of the Board

E NG RN

Appointment date
1 March 2020

Nationality
British

Skills and experience
Warren joined the Board as an independent Non-Executive Director in March 2020 and succeeded Alan Aubrey as Chair in June 2020. He was a member of the Vodafone Group Executive Committee for ten 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 has served on the boards of UBM plc and Avast plc as Senior Independent Director and as a Non-Executive Director of Inmarsat plc. He has an MA in Philosophy, Politics and Economics from Oxford University and a master's degree in Business Administration from London Business School.

Key strengths
Global business development; plc board experience; active knowledge of governance & regulatory matters; strategy development; capital markets; mergers & acquisitions.

Philip Joseph Caldwell
Chief Executive Officer

D E

Appointment date
2 September 2013

Nationality
British

Skills and experience
Phil was appointed Chief Executive of Ceres in 2013. Under his leadership Ceres has grown into one of the UK's most valuable clean technology companies. Phil has been instrumental in positioning Ceres as an asset-light licensing business; establishing partnerships with global engineering giants to meet the urgency for low carbon power systems and electrolysis for green hydrogen. Phil has worked in the fuel cell industry for 18 years, formerly at Intelligent Energy and ICI. He has a master's degree in Chemical Engineering from Imperial College, an MBA from IESE Barcelona and is a Sainsbury Management Fellow.

Key strengths
Commercialisation of fuel cells across multiple markets & geographies; strategic delivery; team building and leadership.

Eric Daniel Lakin
Chief Financial Officer

D

Appointment date
10 January 2022

Nationality
British

Skills and experience
Eric joined Ceres as Chief Financial Officer in January 2022, prior to which he was at FTSE 100 engineering group Smiths Group plc for ten years, latterly as CFO of Smiths Interconnect. Previously Eric held roles in operational and corporate finance, strategy and M&A through his career at Smiths and prior roles in private equity and finance, consulting and industry. He has broad international experience including a secondment to the US and a board position in a joint venture in China. Eric is a Chartered Management Accountant and holds a master's in Engineering and Information Sciences from the University of Cambridge.

Key strengths
Operational & corporate finance; strategy; mergers and acquisitions; international; public markets; listed company governance requirements.

Stephen James Callaghan
Senior Independent Director

A NG R RN

Appointment date
18 December 2012

Nationality
British

Skills and experience
Steve joined the Company as CEO in December 2012 and led the turnaround phase. He was appointed Senior Independent Director in March 2014. He is also Chair of Marston Holdings, and Vice Chair of NEC Software Solutions, formerly Northgate Public Services, appointed on 31 March 2021 having been CEO for five years. Steve has held a number of CEO positions in public and private businesses over a period of 25 years in parallel with a small number of non-executive roles. He has a degree in Electrical and Electronic Engineering from Cranfield University.

Key strengths
Ceres business knowledge & understanding; transformation leadership; performance delivery.

Committee membership key

- (A) Audit Committee
- (RN) Remuneration & Nomination Committee (effective from 2 November 2022)
- (R) Remuneration Committee (until 2 November 2022)
- (NG) Nominations & Governance Committee (until 2 November 2022)
- (E) ESG Committee (will meet formally in 2023)
- (D) Disclosure Committee
- ● Chair of Committee

Trine Borum Bojsen
Non-Executive Director

E

Appointment date:
15 March 2022

Nationality
Danish

Skills and experience
Trine joined the Board in March 2022 and is the Employee Engagement Director. In May 2022 she was appointed the senior vice-president of North Sea Renewables at Equinor ASA. Previously, Trine was Chief Operating Officer of Copenhagen Offshore Partners, a leading provider of project development, construction management, and operational management services to offshore wind projects worldwide. Prior to that, Trine held senior management posts at Ørsted and also served on a number of boards and key committees within the company. She is currently a Non-Executive Director of MacArtney A/S Denmark. Trine has an M.Sc in Engineering from the Technical University of Denmark.

Key strengths
Market knowledge; technical expertise; stakeholder relationship building.

William Tudor Brown
Non-Executive Director

A R RN

Appointment date
1 April 2021

Nationality
British

Skills and experience
Tudor joined the Board in April 2021. He is one of the founding members of ARM Holdings plc, where he was until 2012 on the board of directors and President of ARM Holdings plc. Tudor sits as an Independent Non-Executive Director and as Chair of the Compensation Committee on the boards of Lenovo Group, listed on Hong Kong Stock Exchange, and on the board of Marvell Semiconductor, listed on Nasdaq. Tudor received an MA degree in Electrical Sciences from Cambridge University. He is a Fellow of the Institution of Engineering and Technology and a Fellow of the Royal Academy of Engineering. He was awarded an MBE in 2013.

Key strengths
Technology; global industry; licensing.

Uwe Klaus Glock
Non-Executive Director

Appointment date
18 June 2020

Nationality
German

Skills and experience
Uwe joined Ceres in June 2020 following the relationship agreement signed with Bosch and is the Bosch-nominated Non-Executive Director. He is a member of the Board of Management of Bosch Thermotechnik GmbH, the commercial and residential building equipment and systems division that encompasses Worcester Bosch in the UK. Uwe brings over 40 years of experience from across Bosch and holds a leading position in the wider German and European energy and building industry. He was President of the German Heating Association (BDH) until the end of 2022 when he stepped down and remains Vice President of the German Building Technology Association (VdZ). Uwe completed his Study of Business Administration at the Business Management Academy Stuttgart.

Key strengths
Bosch experience; German and European energy & building industries.

Qinggui Hao
Non-Executive Director

Appointment date
18 June 2020

Nationality
Chinese

Skills and experience
Qinggui joined Ceres in June 2020 and is the Weichai nominated Non-Executive Director as part of the strategic collaboration agreement with Weichai. He is the Investment Director of Shandong Heavy Industry Group Co., Ltd., the parent of Weichai. 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. He holds dual bachelor's degrees in Law and Economics.

Key strengths
Relationship with Wechai; Chinese market knowledge.

Aidan John Hughes
Non-Executive Director

A NG

Appointment date
9 February 2015

Nationality
British

Skills and experience
Aidan joined Ceres in February 2015 as Non-Executive Director and Chair of the Audit Committee. He has over 25 years of senior finance experience in a variety of listed companies, including as Finance Director at the Sage Group Plc from 1993 to 2000 and as a director of Communisis Plc from 2001 to 2004. Between 2004 and 2018 he was Non-Executive Director of Dialog Semiconductors plc, where, during his tenure Aidan chaired its Audit Committee. He is also an investor and adviser to a number of private technology and media companies. Aidan is a Fellow of the Institute of Chartered Accountants in England and Wales.

Key strengths
Listed company experience; corporate governance; risk management.

Julia Elizabeth King Baroness Brown of Cambridge
Non-Executive Director

R RN E

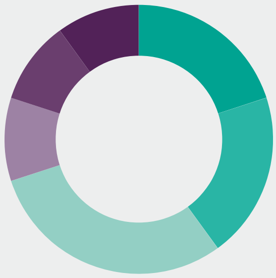
Appointment date
17 June 2021

Nationality
British

Skills and experience
Julia joined the Board as an independent Non-Executive Director in June 2021. Julia is an engineer with extensive experience across industry, academia and government and a focus on climate change and the low carbon economy. Julia is the Chair of STEM Learning Limited and a Non-Executive Director of Frontier IP. She has held roles at Rolls-Royce plc, Cambridge University, Imperial College and as Vice Chancellor and Chief Executive of Aston University. She is currently Chair of The Carbon Trust, a Non-Executive Director of Ørsted, Chair of the Adaptation Committee of the Climate Change Committee and a member of the BEIS Hydrogen Advisory Council. Julia is a Fellow of the Royal Academy of Engineering and the Royal Society and was awarded a DBE for services to higher education and technology. She sits in the House of Lords as the Baroness Brown of Cambridge where she chairs the Science and Technology Select Committee.

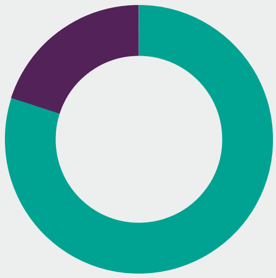
Key strengths
Industry knowledge; academic knowledge; climate change expertise.

Board of Directors: tenure



<1 year:	2 Directors
1 year:	2 Directors
2 years:	3 Directors
7 years:	1 Director
9 years:	1 Director
10 years:	1 Director

Board of Directors: gender



Male:	8	80%
Female:	2	20%

Executive Committee

Geraint Castleton-White
Chief Programmes Officer

Geraint was appointed as Chief Programmes Officer in 2021 and has been working with Ceres in an interim role 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 Institution of Mechanical Engineers.

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.

Clarissa de Jager
Chief of Intellectual Property

Clarissa joined in 2018, bringing over 25 years of commercial legal and IP 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.

Mark Garrett
Chief Operating Officer

Mark joined Ceres in August 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 has considerable experience in bringing new products to market, operational performance and IP based innovation in the transport and energy sectors. Mark is non-executive chair of SBD Automotive Limited, an automotive sector consultancy and is a Fellow of the Institution of Mechanical Engineers and the Royal Academy of Engineering.

Deborah Grimason
General Counsel
Company Secretary

Deborah joined Ceres in January 2022 and brings a wealth of experience gained across a wide range of industries encompassing management of all legal affairs, corporate governance and compliance. Deborah spent the past eight years operating as General Counsel and Company Secretary at Travis Perkins plc and more recently at V.Group. Prior to these roles, she held senior legal and company secretarial positions at Lafarge, The BOC Group, Nokia and Royal Mail.

Caroline Hargrove CBE
Chief Technology Officer

Caroline joined Ceres in 2021 as Chief Technology Officer following three years as a Non-Executive Director of the Company. She was previously CTO of Babylon Health, and a founding member of McLaren Applied Technologies which was set up to exploit McLaren technology and expertise to new markets. She worked in a range of sectors from motorsport to health, elite sports, manufacturing and energy. She started her career as a lecturer in Engineering at Cambridge, followed by various roles in McLaren F1, mainly focused on the development of simulations and the first F1 simulator. Caroline is also a Fellow of the Royal Academy of Engineering, was Visiting Professor at Oxford from 2015 to 2018 and holds a PhD in Applied Mechanics. In 2020, she received a CBE for services to engineering.

Dr Mark Selby
Chief Innovation Officer

Mark joined the Company in January 2006 and has played a pivotal role in establishing the Company as a global technology leader in the fuel cell industry. Mark previously worked as the Company's Chief Technology Officer and moved to a new position as Chief Innovation Officer in September 2021, in which he will provide leadership for Ceres on innovation of new technologies beyond the established solid oxide portfolio. As Chief Innovation Officer, Mark will focus his efforts on developing new and future opportunities for Ceres, building the team and relationships to make this happen.

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 master's degree in Personnel Management.

"A solid foundation of governance is the basis on which Ceres can thrive. Transparency and engagement are fundamental to build and maintain the trust of our shareholders and other stakeholders."

Reporting Code

As a company listed on AIM (Alternative Investment Market) Ceres has applied the Quoted Companies Alliance Corporate Governance Code (the "2018 QCA Code") and its ten principles throughout the year ended 31 December 2022. How we have applied the 2018 QCA Code is set out on our website https://www.ceres.tech/about-us/corporate-governance/. Whilst the Company is not required to comply with the UK Corporate Governance Code 2018 it seeks to apply best practice wherever practicable and is building this compliance in advance of the desired move up to the Premium Listing on the Main Market of the London Stock Exchange.

The Company is also subject to the UK City Code on Takeovers and Mergers and the Companies Act 2006.

The Board of Directors

The Board has collective responsibility and a legal obligation to promote the interests of the Company. It is responsible for setting the vision and strategy to enable the Company to deliver long-term sustainable value to its shareholders. It approves the business plan, monitors performance and ensures the necessary resources are in place to deliver. Ensuring the business has a robust framework of internal controls and risk management is key to enable delivery; to take advantage of business opportunities; and to mitigate risks to the achievement of its strategic objectives. (More information on the risk management framework can be found in the Principal risks section on page 39 and on internal controls in the Audit Committee report).

The Board is responsible for succession planning for the Board and senior management, and more details on this work can be found in the Remuneration & Nomination Committee report.

The Non-Executive Directors provide constructive challenge, strategic guidance and specialist advice and hold the Executive Directors and senior management to account. Details of the specific skills each Director brings to the Board are set out on pages 43 to 45.

Demonstrating and embedding the desired culture and values for the Company is led by the Board and is cascaded down through the Executive Committee to the business. Both the Board and the Executive Committee firmly believe in leading by example and ensuring that the culture aligns with the Company's purpose, values and strategy.

Details of all the Board members and their skills and experience are set out in the Board of Directors section of this report.

Division of responsibilities

The Chair leads the Board and is responsible for ensuring the effectiveness of the Board in directing the Company. The Chair, supported by the Company Secretary, ensures the Board receives the information it requires to make informed and balanced decisions in a timely manner. The Senior Independent Director acts as a sounding board for the Chair and as an intermediary for the other Directors and shareholders if required. The roles and responsibilities of the Chair, Chief Executive Officer, Senior Independent Director and Company Secretary are set out on the Company's website in compliance with the 2018 QCA Code at https://www.ceres.tech/about-us/corporate-governance/.

The Chair and Chief Executive Officer and the Chair and Company Secretary meet regularly outside of the Board meeting schedule to ensure that appropriate matters are covered at Board meetings; to discuss strategy and performance; and to maintain an open and transparent working relationship which encourages constructive debate at meetings. The Chair also meets periodically with members of the Executive Committee.

During the year, the Board reviewed and updated its schedule of Matters Reserved to the Board and in conjunction with this, the Delegation of Authority Policy. Both documents clearly set out decisions and areas for consideration and where responsibility and approval levels for those decisions lie. Matters outside of the remit of the Board of Directors or the Committees of the Board fall to the Executive Committee which reports back to the Board via the Chief Executive Officer at each Board meeting. The schedule of Matters Reserved to the Board can be found on the Company's website at https://www.ceres.tech/about-us/corporate-governance/.

The Board discharges certain areas of its responsibility through Committees of the Board which, as at 31 December 2021, comprised the Audit Committee; Remuneration & Nomination Committee; and newly formed ESG Committee (due to meet for the first time in early 2023).

Until 2 November 2022, the Committees of the Board had been comprised of an Audit Committee, Remuneration Committee, and Nominations & Governance Committee. The Board reviewed the remit of each Committee and in order to bring ESG into prominence given its integral role in the Company's purpose, the ESG Committee was created at Board level (formed from the ongoing Operational ESG Committee), chaired by Julia King. As the ESG Committee would take on the majority of the elements of governance for the Company formerly undertaken by the Nominations & Governance Committee, the Board agreed that combining the Remuneration and Nomination elements would be an efficient use of time since both areas were related. The remaining elements of governance which related specifically to the Board (such as the Register of Interests and independence evaluation) would be retained by the Remuneration & Nomination Committee as this was deemed a more appropriate forum for such matters.

The ESG Committee is scheduled to meet for the first time in March 2023 and as such a dedicated report on the Committee is not included in this report. More detail on the Company's ESG work is contained within the recently published Sustainability report 2021, which can be found on the Company's website at https://www.ceres.tech/sustainability/. More details on the other Committees of the Board can be found in the relevant Committee reports.

The Board also established a Disclosure Committee in the latter part of the year, membership of which is comprised of the Executive Directors and General Counsel & Company Secretary. The Committee oversees the Company's compliance with disclosure obligations.

All Committees of the Board have Terms of Reference which clearly set out their areas of responsibility and which can be found on our website https://www.ceres.tech/about-us/committees/. The full Governance framework is set out on page 50 of this report.

Meetings

The Board met 13 times in 2022 (including four extraordinary meetings convened to address specific items of business) and the attendance of each Director is set out in the table below. Meetings are held both virtually and in person and any Member unable to attend can provide their feedback and comments to the Chair of the Board (or Committee Chair as appropriate) prior to the meeting and the relevant Chair ensures these views are fed into discussions.

Board meetings are structured to ensure the optimum time is spent on key matters and that sufficient time is provided for robust debate and challenge. Activities of the Board during the year are set out on page 51 and included an offsite, two-day strategy meeting with the Executive Directors.

Reports are presented to every Board meeting by the Chief Executive Officer, Chief Financial Officer and other Executive Committee members and include the monitoring of KPIs. Captured in these reports are the activities of the Executive Committee (chaired by the Chief Executive Officer which met monthly throughout 2022) and the Steering Committees which report into the Executive Committee. The reporting structure is illustrated in the Governance framework on page 50 of this report.

At the end of each full Board meeting the Chair of the Board and the Non-Executives meet without the Executive Directors present to discuss the performance of the Executive Directors and the operation of the Board. The Chief Executive Officer joins for the last portion of these meetings to receive feedback.

Meetings were held at a number of different sites throughout the year including at Company sites in Horsham and Redhill. The Board believes there is significant value in visible leadership and providing opportunities for engagement with colleagues across the business and will continue this approach throughout 2023.

Attendance table

Committee	Board	Audit Committee	Nominations and Governance Committee	Remuneration Committee	Remuneration and Nominations Committee
Executive Directors					
Phil Caldwell	13/13	n/a	n/a	n/a	n/a
Eric Lakin	13/13	n/a	n/a	n/a	n/a
Non-Executive Directors					
Trine Borum Bojsen[1]	10/12	n/a	n/a	n/a	n/a
Tudor Brown	13/13	5/5	n/a	5/5	2/2
Steve Callaghan[2]	10/13	4/5	3/4	4/5	2/2
Qinggui Hao	12/13	n/a	n/a	n/a	n/a
Aidan Hughes[3]	13/13	5/5	4/4	1/5	n/a
Warren Finegold[4]	13/13	n/a	4/4	n/a	n/a
Uwe Glock	13/13	n/a	n/a	n/a	n/a
Dame Julia King	13/13	n/a	n/a	5/5	2/2

1. Trine Borum Bojsen joined the Company on 15 March 2022.
2. Steve Callagham Chaired the January meeting of the Remuneration Committee before Tudor Brown took over as Committee Chair.
3. Aidan Hughes stepped down from the Remuneration Committee after the January meeting.
4. Warren Finegold was a regular attendee of the newly formed Remuneration & Nomination Committee until he was made a Member at its December meeting by amendment to the Terms of Reference.

Board evaluation

The Board evaluation for 2022 was an internal process and included questions specifically designed to capture progress against areas noted for improvement in the previous, externally facilitated evaluation in 2021. Responses were collated and results anonymised and analysed, with a formal report on the outcome and proposed actions to be taken presented to the full Board at its meeting in November 2022.

Much progress against the recommendations set out in the external evaluation had been made and new actions were identified and agreed (largely relating to the operation and administration of the Board) to further enhance the Board's efficient running during 2023.

The Board evaluation included questions relating to the operation of the Committees of the Board and these scores and comments were fed into each Committee's annual evaluation of its own performance. Given the new Committee structure, the Board considered that a thorough review of remit and responsibility had been undertaken and that the new structure would be more efficient and effective.

The Senior Independent Director met with the other Non-Executive Directors without the Chair present during the latter part of the year to appraise the Chair's performance. All agreed that the Chair of the Board was and continues to be an effective leader of the Board, facilitating constructive Board relationships and debate, and promoting an environment of openness and acceptance.

Engagement with shareholders and stakeholders

The Board is accountable to the Company's shareholders and engagement is welcomed to fully understand their views, requirements and expectations. The Company communicates regularly with shareholders through various channels including the London Stock Exchange's Regulatory News Service ("RNS"), face to face meetings with institutional shareholders, analyst briefings, investor roadshows and conferences, capital market events, press interviews, at its Annual General Meeting and through the Company's social media channels. The Company's website is also kept up to date with all announcements and annual reports.

During the year the Chair of the Board held an investor dinner for major shareholders, met with Ceres colleagues at two lunch events and attended and participated in the 21st Birthday Company event held in Brighton in November.

The Company engaged with shareholders in a session presenting the recently published Sustainability report which can be found on our website at https://www.ceres.tech/sustainability/. More details on how the Company engages with its stakeholders can be found in the S172 Statement in the Strategic Report.

During the year the Board appointed Trine Borum Bojsen as the Employee Engagement Director. In compliance with the UK Corporate Governance Code 2018, Trine's role will engage with colleagues through attendance at the ESG Committee which will work in conjunction with the Operational ESG Committee upon which a Connect representative (the Company's employee forum) sits; by meeting with the Connect group directly; and through feedback from colleague surveys. Trine will ensure that the colleague voice is heard at the Board level and that their views are considered in decision making. As the appointment was made in the latter part of the year the role is expected to develop throughout 2023.

The Board welcomes shareholder attendance and participation at its Annual General Meeting in 2023 and all Directors and Committee Chairs will be available for questions.

Culture and values

The Board believes in not only promoting a value based corporate culture but in demonstrating the Company's values (set out on page 2) in their interactions, discussions and decision making. The Board ensures that these values are incorporated within the strategic objectives and the executive team are accountable to the Board for the successful integration of the values throughout the business.

The approval and implementation of policies and oversight of internal controls ensure the business' attitude to compliance is led by the Board. Regular colleague surveys provide an insight into the successful integration of the values and policies and deep dives such as the HR session undertaken during the year enabled the Board to spend focused time in reviewing the effectiveness of mechanisms employed to embed the culture and values, and to engage and motivate colleagues.

Speak Up Policy

All colleagues are encouraged to speak openly and honestly and raise concerns appropriately with their line managers. Where they do not feel that they can do this they can raise their concerns in accordance with the Company's Speak Up Policy.

The Board approved the refreshed Speak Up Policy in 2022 which clearly set out the mechanism for colleagues and third parties (which includes consultants, contractors, casual and agency workers) to report any concerns to a restricted access email address. Concerns are investigated thoroughly with any parties implicated removed from the process to ensure independent investigation.

The Audit Committee receives an annual report on any concerns raised during the year along with any key themes and actions identified.

Non-Executive Director Independence

The Board reviews annually the independence of its Directors. The Board considers all its Non-Executive Directors (including the Chair of the Board) to be independent with the exception of Uwe Glock and Qinggui Hao who, as nominee directors of Bosch and Wechai Power respectively, represent major shareholders of the Company. At least half the Board (excluding the Chair of the Board) are therefore considered independent in compliance with the UK Corporate Governance Code 2018.

As reported in the 2021 Annual Report, Steve Callaghan has served on the Board for more than nine years and is scheduled to rotate off the Board at the Company's AGM in 2023. Due to his independence of character and objectivity, Steve was regarded as independent by the Board throughout the year ended 31 December 2022.

The Non-Executive Directors do not receive any remuneration from the Company other than their fees and the reimbursement of expenses, nor do they participate in any share option, bonus or pension arrangement. More details on the Non-Executive Directors' fees are set out in the Remuneration report.

Conflicts of interest

The Board takes the management of conflicts of interest very seriously and operates a number of procedures to effectively manage conflicts of interest.

The majority of Board business is conducted with all parties present in a full Board meeting. An additional restricted Board meeting is held without the Bosch and Weichai Power nominee Non-Executive Directors present, to cover any items of business for which those Directors would be conflicted.

The Board also holds a Register of Interests which it reviews annually and declarations of any conflicts of interest are requested at the start of each meeting. Should a conflict be raised, the affected party would leave the room for the duration of the item concerned and would not be party to any related decision making.

The Company has a conflicts of interest policy which is provided to all colleagues on their induction to the business.

Internal controls and risk management

The Board has overall responsibility for ensuring the Company has a robust framework of internal controls and suitable procedures to manage risk effectively.

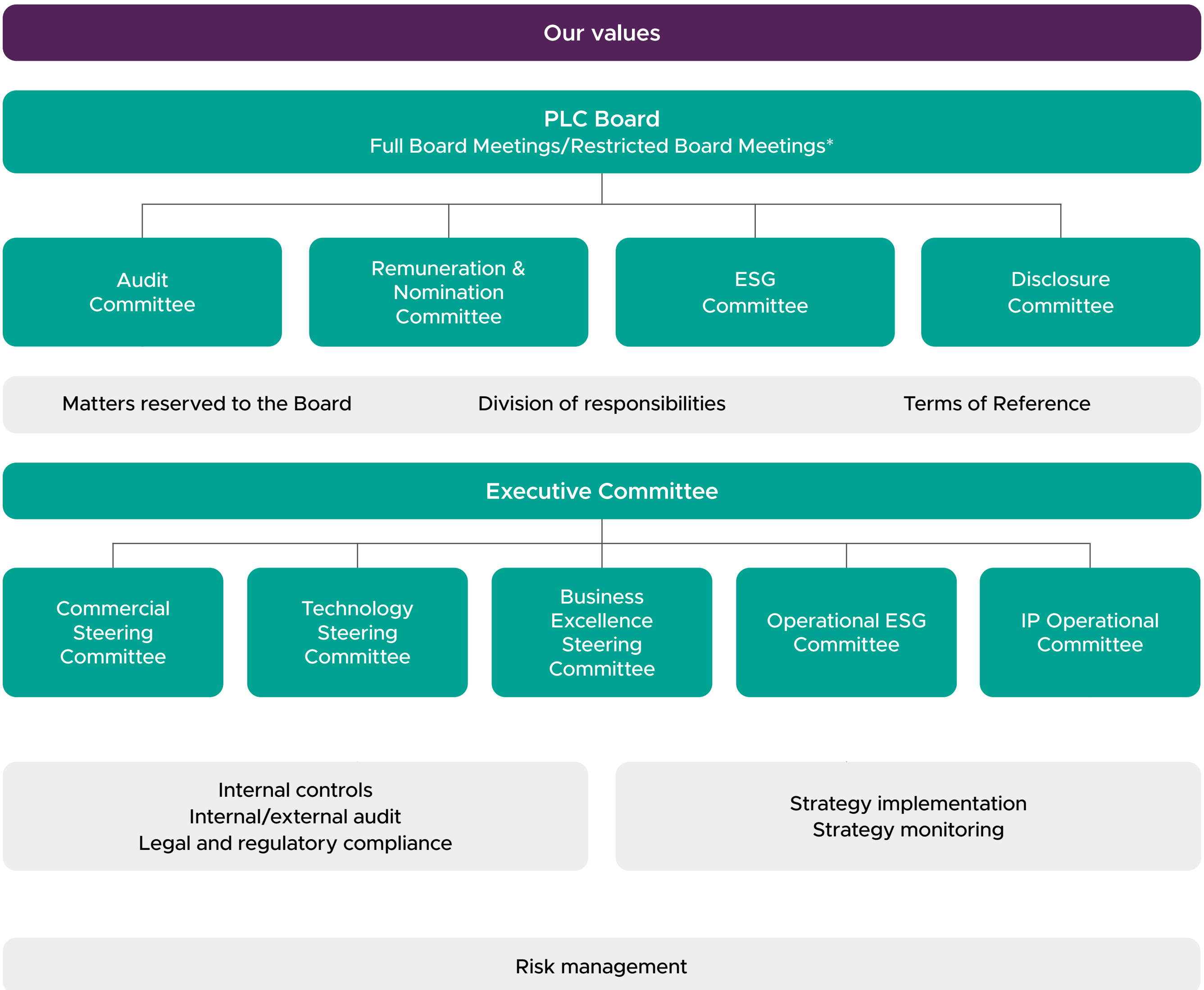
The Board regularly reviews the Risk Register throughout the year, evaluating and ensuring the suitability of mitigations and controls in place to manage risk and to take opportunities in the strategic interest of the business. More information about the principal risks to the Company's achievement of its strategic objectives and the risk management framework is set out on pages 39 to 40. The Board has delegated responsibility to the Audit Committee for oversight of the internal controls framework and more information about the work of the Committee can be found in its report on pages 52 to 54.

Board support

All Directors have access to the Company Secretary for advice and support on governance matters. They also have the right to seek independent legal or other professional advice at the Company's expense in the furtherance of their duties. Newly appointed Directors are provided with an induction which includes a briefing on their responsibilities by the Company Secretary and the Company's nominated adviser. Formal training is offered to Directors as required and all Directors can attend ad hoc training, seminars and/or conferences relevant to their specific skills, professional qualifications and roles on the Board. All members of the Board have access to appropriate professional development courses and receive ongoing briefings on current developments, including updates on governance and regulatory issues.

In preparation for the intended move up to the Premium Listing on the Main Market of the London Stock Exchange, the Directors were also briefed in full on their future duties and responsibilities.

Governance framework



* Restricted Board meetings do not include Uwe Glock and Qinggui Hao as non-independent Bosch and Weichai Power nominee Non-Executive Directors.

Board activities

Strategy	Performance	Finance
Offsite Strategy Days **Strategic actions** **Strategic projects** The Board spent two days with the Executive and external speakers on strategy development and has continued to monitor the actions arising to ensure delivery. Updates on major strategic projects are received and discussed as required.	**Operational Reports** **CEO Report** **Deep Dives – HR, Investor Relations, Technology and Intellectual Property** **Monitoring of KPIs** The Board receives reports from the CEO and from key areas of the business including Commercial; Operations; Technology; and Intellectual Property at every Board meeting. Deep dives into specific areas have been scheduled and the Board undertook a deep dive into HR, Investor Relations, Technology and Intellectual Property during the year. Strategic KPIs are monitored at every meeting.	**CFO Report** **Budget** **Business Plan** **Final and Interim Results** The Board received a report from the CFO at every meeting. During the year it also discussed in detail the budget and business plan and approved the final and interim results for the Company along with the accompanying announcements.

Risk Management	ESG	Governance
Risk Register & principal risks The Board receives the Risk Register twice per annum (and by exception as required) and reviews the register to ensure the principal risks stated are appropriate and to satisfy itself that the management and mitigation of those risks is satisfactory.	**Sustainability report** The Board approved the Sustainability report which was published during the year and which can be found at https://www.ceres.tech/sustainability/.	**Committee Reports** **Board Evaluation** **Insurance** **Policies** **Register of Interests** The Board receives reports from each of the Committee Chairs at each Board meeting following committee meetings. This ensures all Board members are informed of the activities undertaken. The Board received and discussed the results of the Board evaluation and monitors progress against actions agreed. The Board approved the insurance provision for 2023, refreshed and new policies, and reviewed the Register of Interests.

Committee membership

Aidan Hughes (Committee Chair)

Tudor Brown

Stephen Callaghan

Introduction

I am pleased to present the Audit Committee (the "Committee") report for the year ended 31 December 2022. As mentioned earlier in this Annual Report, Steve Callaghan will step down from his role as Senior Independent Director and Non-Executive Director of the Company at the Annual General Meeting in 2023. I would like to extend my thanks to him on behalf of the Committee for his invaluable contribution throughout his tenure.

The Committee provides an important role in overseeing Ceres financial reporting, risk management, internal controls and the activities of external and Internal Audit functions. We value transparency and open discussion and would like to thank all participants who have contributed to the work of the Committee over the past year.

Committee composition

The Committee is comprised entirely of Non-Executive Directors and has the necessary recent and relevant financial experience in compliance with the UK Corporate Governance Code, particularly by the Committee Chair (more details of the skills and experience of Committee members can be found on pages 43 to 45). The Committee's membership also has competence relevant to the fuel cell technology and engineering sectors. The Chair of the Board, Executive Directors, Financial Controller, Senior Internal Audit and Risk Manager, and External Audit partners attend meetings as and when required.

The search for new Non-Executive Directors specifically seeks experience and qualities suitable for an Audit Committee Member, and candidates will meet with the Chair of the Audit Committee and the Chief Financial Officer as part of the recruitment process.

Role of the Committee

The Committee's role is to support the Board in the oversight of financial and internal controls, financial reporting, and risk management. Its main duties include:

- monitoring the integrity of the financial statements of the Company including significant financial reporting judgements and estimates;
- reviewing the Company's systems of internal controls (including financial, operational, compliance and risk management);
- reviewing the arrangements for speaking up in confidence; procedures for detecting fraud and bribery; and any actions to be taken on non-compliance;
- reviewing the Internal Audit function and effectiveness and approving the Internal Audit plan;
- reviewing and monitoring the effectiveness of the external auditor and satisfying itself of the independence and objectiveness; and approving the terms of engagement and remuneration; and
- approving and monitoring the operation of the Company's non-audit fees policy.

Work of the Committee – key activity

Full/Half Year financial statements	Reviewed and recommended to the Board
Risk Register	Reviewed
Internal Audit Plan	Approved; received reports; monitored actions arising
Tax Policy	Approved
Treasury Policy	Approved and monitored operation
Speak Up Policy	Reviewed effectiveness, approved amended Policy and received reports
Non-Audit Fees Policy	Approved and monitored operation
Effectiveness of External Auditor	Reviewed and monitored

Risk management and internal controls

The Executive Committee regularly reviews and discusses the Risk Register ensuring it accurately reflects potential risks in all areas of the business and that appropriate assessments are made of the potential impact and likelihood of each risk. The Executive Committee makes recommendations to the Committee on new risks, updates and amendments. The Committee reviewed the Risk Register several times throughout the year, developing the requirements in terms of reporting format and seeking assurance that the risks, scoring and mitigations were appropriate. The Board has overall responsibility for approving the Risk Register and specifically, the principal risks. More details are set out on pages 39 to 40.

The Committee oversaw the internal control framework, approving a number of refreshed policies during the year and monitoring compliance through the receipt of reports.

Internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information that is utilised both internally and externally. 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 through the financial year, and up to the date that the financial statements were signed.

The Internal Audit function was assessed continuously to ensure its effectiveness and relevance to the Company's pursuit of its strategic objectives. Audits are designed to be constructive, highlight areas for improvement and actions for consideration, and to support the business in its day-to-day operation. The Committee received reports on the outcomes and actions arising from internal audits undertaken during the year and received assurance from the Executive team that actions taken had the intended benefit and results for the business. The Committee requests timely reviews in certain audit areas where follow-up is needed and ensures these are included in the Internal Audit plan for the current and following year, which it approves.

Significant financial reporting matters

During the year, the Committee received and considered reports from the Chief Financial Officer in respect of the Group's material accounting judgements and estimates, 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 year ended 31 December 2022:

Revenue recognition in respect of existing and new customer contracts

During the year, the Group recognised revenue of £22.1 million (2021: £30.8 million) relating to commercial and development contracts with customers. Further details are set out in Note 2 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 reviewed the judgements and estimates applied by management during the year when accounting for revenue recognition and considers them to be appropriate.

In particular, during the year, the Committee has reviewed management's judgements applied to recognising revenue for the significant Doosan, Bosch and Weichai collaboration agreements. This included a review of estimates used for percentage completion based on forecast labour hours to complete. Following discussions in Committee meetings, the Committee considers management's treatment to be appropriate.

Intangible assets (capitalised development costs)

The Group began capitalising development costs as internally generated assets from 2019 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, in assessing appropriate periods of amortisation and considering the need for any impairments.

The Committee reviewed and agreed the Group's accounting policy with respect to the capitalisation of development costs. The Committee reviewed management reports summarising the treatment of capitalised costs during the year, together with reviewing reporting from the external auditor on the subject, and is satisfied that the accounting treatment and disclosure of capitalised development costs is appropriate. In addition, the Committee considered management's approach of continuing to expense SOEC related costs and agreed with their assessment that the relevant threshold to capitalise costs has not yet been met due to the relative immaturity of the technology and the uncertainty around future commercial feasibility.

Significant financial reporting matters continued

Intangible assets (capitalised development costs) continued

Further details setting out the accounting policies relating to capitalised development costs, and the amounts capitalised during the period, are provided in Note 12 to the Group financial statements.

Provisions relating to warranty and dilapidations

As at 31 December 2022, the Group held provisions of £1.9 million (2021: £1.8 million) for property dilapidations and £0.9 million (2021: £1.3 million) for warranties. The Committee reviewed the approach for assessing these provisions with management, noting that professional advisers contributed to the assessment of the dilapidations provision and that management have updated the provision following a partial refurbishment of one of the Group's properties.

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. Further details around provisions are set out in Note 22 to the Group financial statements.

Valuation of inventory

As at 31 December 2022, the Group held £5.7 million (2021: £3.1 million) of inventory, relating to raw materials, work in progress and finished goods. During the year, the Committee reviewed reports from, and held discussions with, both management and the Group's external auditor 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 net realisable value and classification, including an appropriate valuation of an inventory provision supported by the Group's stack testing processes and data. The Committee reviewed these judgements and estimates and is satisfied that the valuation of inventory as at 31 December 2022 is appropriate. Further details around inventory are set out in Note 14 to the Group financial statements.

Re-measurement of property lease term

As at 31 December 2022, the Group reported lease liabilities of £3.1 million (2021: £3.0 million) primarily relating to leases of two properties. During the second half of the year, the Group revised the expected term on one of its property leases, recognising an adjustment of £0.8 million to increase the related lease liability and right-of-use asset, with no impact to the income statement. The Committee considered the events and circumstances that led management to revise the lease term against the relevant guidance set out in IFRS 16 "Leases" and determined the judgements and resultant treatment to be appropriate. Further details around the Group's leases are set out in Note 21 to the Group financial statements.

External audit

BDO LLP was reappointed as the Company's external auditor at the Annual General Meeting held in May 2022, to hold office until the 2023 Annual General Meeting. BDO LLP was first appointed at the Company's Annual General Meeting on 4 December 2019.

The Committee places great importance on the safeguarding of independence of the external auditor and reviewed its independence and effectiveness at the year-end review meeting. The Committee agreed that BDO LLP had provided objective and independent advice. The external auditor can speak with the Committee Chair on a one to one basis and met with the Non-Executives without the Executive Directors present at the full year and interim results meetings. This enabled the Committee to assess their independence on an ongoing basis.

Non-audit fees

The Company's Policy on non-audit fees aligns with the FRC's Revised Ethical Standard published in December 2019. The Committee previously approved BDO LLP to provide advisory services to the Company in relation to the Group's potential move to the Main Market. The Committee considered the impact on the independence of the external auditors and were satisfied that the appropriate safeguards were in place to maintain their independence. Further the Committee was satisfied that the provision of such a service was permitted under the Ethical Standard and was one off in nature. The fees paid to external auditors include amounts relating to the audit of the interim accounts for the six months to 30 June 2022. It was anticipated that these would be subject to external audit as part of the documentation for a main market listing for Ceres. As it transpired, the main market listing did not happen during 2022 and therefore the external audit of these accounts did not take place although much of the expense was incurred. The fees paid are set out on page 86 of the notes to the financial statements.

Committee evaluation

The Committee evaluated its performance throughout the year ended 31 December 2022 both through the main Board evaluation process, and by inviting additional comments from the Committee Members. The Committee concluded that it had operated effectively, with the required rigour and critical enquiry, throughout 2022.

Aidan Hughes
Committee Chair

Remuneration & Nomination Committee report

Committee membership

Tudor Brown (Committee Chair)

Stephen Callaghan

Julia King

Warren Finegold

Introduction

I am pleased to present the Remuneration & Nomination Committee (the "Committee") report for the year ended 31 December 2022.

The Remuneration Committee, the Nominations & Governance Committee and the new Committee (more on this below) have worked hard during the year to ensure the business is supported by Directors with relevant skills who are motivated by appropriate and stretching targets linked to remuneration. In these challenging times it is essential that the Committee considers the requirements of the Directors concerned within the context of all colleagues, without whom the business could not succeed.

Committee composition

The newly formed Remuneration & Nomination Committee met from 2 November 2022 onwards. Until that date the Committee structure had consisted of a Remuneration Committee and a separate Nominations & Governance Committee. The Board reviewed its committee structure during the year and concluded that since Nomination and Remuneration matters were related, an amalgamation of the two areas would be appropriate and would ensure most efficient use of time.

Prior to the formation of the new Committee, Steve Callaghan had chaired the Remuneration Committee, but did so for the last time at its meeting in January 2022. Thereafter I took the role of Committee Chair and Aidan Hughes stepped down from the Committee. The Chair of the former Nominations & Governance Committee was Warren Finegold (Steve Callaghan and Aidan Hughes were members).

To ensure the requisite level of expertise and independence required for a Remuneration Committee, the membership of the new Committee remained the same as that of the previous Remuneration Committee, with the Committee Chair possessing the requisite remuneration committee experience prior to their appointment. All the members of the Committee are determined to be independent.

The Chair of the Board was added as a member of the Committee as the Committee believed that he would bring the required leadership in relation to Board composition, succession planning and evaluation matters. The Chair was deemed to be independent upon appointment to the Committee and will not Chair the Committee at any time.

No Director is involved in the discussion or decision making relating to their own remuneration and the Chair will not be involved in any discussions relating to his succession.

Other Board members and individuals such as the People Director and external advisers are invited to attend meetings as and when appropriate.

Role of the Committee

The Committee's role is twofold, combining the responsibilities of a Nomination and a Remuneration Committee. The remuneration and nomination work previously undertaken by both the Remuneration and the Nominations & Governance Committees was fed directly into the new Committee. Governance matters would be managed by the newly formed ESG Committee (with the exception of elements of governance relating specifically to the Board such as the Register of Interests and independence evaluation, which were retained by the Remuneration & Nomination Committee as this was a more appropriate forum for such matters). The Committee governs all aspects of the Executive Directors' and Chairman's remuneration and reward arrangements and advises on employee benefit structures throughout the Group. It is responsible for reviewing the composition and structure of the Board and for identifying and recommending candidates for Executive and Non-Executive Director positions. The full Terms of Reference for the Committee are set out on the Company's website at https://www.ceres.tech/about-us/committees/.

Remuneration

During the latter part of the year after a thorough tender process the Committee was pleased to approve the engagement of WTW as its remuneration adviser. WTW have no other connection with the Company or any of its individual Directors. The Directors' Remuneration Report, setting out more information on the work of the Committee during the year, and details on remuneration for the Executive Directors, Chair and Non-Executives, can be found on pages 58 to 64.

Nomination

Board composition

The Board is comprised of ten Directors, six of whom are considered independent. As communicated in the 2021 Annual Report, the CFO, Eric Lakin and a new Non-Executive Director Trine Borum Bojsen joined the Board in early 2022 as a result of the searches conducted in 2021 (which were detailed in the 2021 Annual Report). Whilst there is currently a diverse mix of perspectives, backgrounds and nationalities on the Board, additional appointments aim to increase and build on this.

The Senior Independent Director ("SID"), Steve Callaghan is due to step down from the Board at the Company's AGM in May 2023 and the search has commenced for a replacement Non-Executive Director. In addition, the increasing workload for the independent Non-Executive Directors was considered by the Board during the year and it was agreed that a further Non-Executive Director should be recruited. Russell Reynolds Associates was engaged to conduct the search for suitable candidates based on criteria set by the Board as a whole. Whilst Russell Reynolds Associates had been engaged in the prior year for previous candidate searches, it has no other connection to the Company or any of the individual directors. As at the year ended 31 December 2022 appointments had not yet been made but it is hoped that an outcome will be reached in early 2023. The search process is set out as follows:

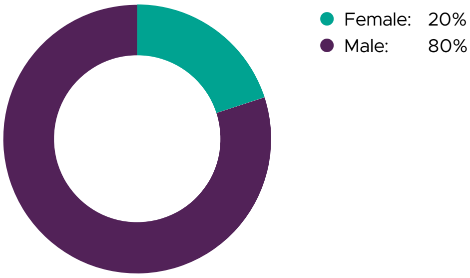
NED search process

- Search firm engaged
- Board members consulted for desired skills, experience
- Draft specifications provided to the Nomination & Governance Committee* for review and approval
- Long list of potential candidates identified and presented to the Nomination & Governance Committee
- Short list of candidates put forward for introductory discussions with the Chair of the Board
- Candidates meet with other identified Board members
- Candidates selected based on merit and objective criteria

* The Nominations & Governance Committee was in operation until 2 November 2022 when the committee structure was amended and the new Remuneration & Nomination Committee commenced.

Nomination continued

Gender balance



The gender balance of the Board as at the year ended 31 December 2022 is set out above and the Board recognises the need to increase the number of women on the Board in conjunction with the Financial Conduct Authority's target of at least 40% women on boards and at least one of the senior roles on the board being undertaken by a woman (Chair, CEO, CFO or SID). It is hoped that the search for two new Non-Executive Directors will contribute to meeting these targets, although the Board believes that the benefits such diversity will bring far outweigh the requirement to meet the specified targets.

The Board benefits from having a diverse mix of nationalities amongst its members. The Board approved the new Diversity, Equity, Belonging and Inclusion Policy in 2022 and whilst it remains committed to making appointments based on merit and objective criteria, it welcomes diversity in all its forms, understanding the strengths and benefits these bring not only to discussion but to effective decision making and strategic planning. In order to achieve its strategic objectives the Board believes that a diverse team of colleagues is imperative to the successful development of our technologies and communication and support for our licensing partners, both current and future.

Director induction

During the year the Committee oversaw the development of a comprehensive onboarding checklist for Non-Executive Directors. The checklist formed the basis for a thorough induction to the business covering all aspects including relevant documentation, formal processes related to the nominated advisers, meetings with relevant Board members and Executive team members, training on duties, corporate documents and board pack software, and tours of Company sites. The checklist, whilst intended to cover all necessary aspects for a new Director is not exhaustive, and any requests made by incoming Directors for tailored or specific introductions or training is accommodated.

Director rotation and re-election

All Directors will be subject to annual re-election with effect from the Annual General Meeting of the Company in May 2023 in compliance with the UK Corporate Governance Code 2018. Details of each Director's skills, experience and contribution to the Board are set out on pages 43 to 45. The tenure of each director is set out in the table on page 45. Directors are appointed for an initial three-year term which is then subject to renewal. Steve Callaghan has been on the Board for longer than the nine-year maximum term according to best practice. As has been communicated previously, the Board continues to consider that he remains objective and independent in his actions and he was retained to ensure continuity given the number of newly appointed Non-Executives during 2022. As mentioned earlier, he will step down from the Board at the Annual General Meeting in 2023.

Committee performance

The Committee evaluated its performance at the end of the year, both as part of the main Board evaluation process and by inviting specific comment and discussion from the Committee members. The evaluation was undertaken in light of the new formation of the Remuneration & Nomination Committee and so comments were invited from both the former Nominations & Governance Committee and Remuneration Committee members. Given the recent and thorough consideration undertaken regarding the operation of the new Committee, all were in agreement that the Committee was well structured and resourced to perform effectively going forward.

Tudor Brown
Committee Chair

Clean energy starts with Ceres

Tudor Brown

Remuneration & Nomination Committee Chair

1. Introduction

Dear Shareholders,

As Chair of the newly formed Remuneration & Nomination Committee, I am pleased to introduce the Directors' Remuneration Report for 2022. This Report has been prepared in accordance with relevant UK corporate governance and legal requirements. The report consists of the remuneration outcomes for 2022; the implementation of Directors' remuneration policy for 2023; and an overview of the Directors' remuneration policy.

The past year has been one of consolidation following the appointments of Trine Borum Bojsen to the Board as well as Eric Lakin as Chief Financial Officer and Deborah Grimason as General Counsel and Company Secretary. There have been no changes of remuneration policy and a clear focus on ensuring alignment of pay and reward performance with our long-term strategy.

During the year, the Committee's key activities have included:

- assessing and approving individual attainment and achievement against performance targets for annual/short-term bonuses and Long Term Incentive Plan ("LTIP") awards;
- considering and agreeing the annual Groupwide salary increase;
- conducting an independent review of our LTIP scheme;
- setting and approving the performance criteria and targets for LTIP awards granted during the period;
- considering dilution effects of share option schemes in the short, medium and long term;
- agreeing to grant ShareSave shares available to UK employees; and
- reviewing the Terms of Reference for the Committee leading to the formation of the combined Remuneration & Nomination Committee.

Pay outcomes for Executive Directors

Base salary: £350,000 (CEO) and £275,000 (CFO)

Annual bonus: £183,750 (CEO) and £144,375 (CFO)

Long-term incentive plan (LTIP): below-target vesting of 44% based on three-year performance

Total cash compensation: £563,276 (CEO) and £434,651 (CFO)

2. Remuneration outcomes for 2022

2.1 Single total figure of remuneration and prior year comparison

The following table sets out a single figure for the total remuneration received by each of the Directors for the year ended 31 December 2022.

	Salary/fee £	Pension £	Bonus £	Total 31 December 2022 £	Total 31 December 2021 £
Executive					
Phil Caldwell	350,000	29,526	183,750	**563,276**	503,444
Eric Lakin[1]	269,006	21,270	144,375	**434,651**	—
Richard Preston[2]	5,192	437	—	**5,629**	340,942
Non-Executive Directors					
Warren Finegold	120,000	—	—	**120,000**	110,000
Steve Callaghan	70,000	—	—	**70,000**	65,000
Caroline Hargrove[3]	—	—	—	**—**	48,058
Aidan Hughes	70,000	—	—	**70,000**	65,000
Qinggui Hao	55,000	—	—	**55,000**	47,500
Uwe Glock	55,000	—	—	**55,000**	47,500
William Tudor Brown[4]	60,000	—	—	**60,000**	43,750
Julia King[5]	55,000	—	—	**55,000**	29,615
Trine Borum Bojsen[6]	44,417	—	—	**44,417**	—

1. Eric Lakin was appointed as Chief Financial Officer on 10 January 2022.
2. Richard Preston stepped down as Chief Financial Officer on 10 January 2022.
3. The remuneration paid in the prior year to Caroline Hargrove includes amounts accrued until her retirement from the Board on 25 October 2021.
4. William Tudor Brown was paid £60,000 for the year ended 31 December 2022. Following his appointment as Chair of the Remuneration Committee on 15 March 2022 (which would become the Remuneration & Nomination Committee with effect from 2 November 2022), an additional £10,000 remuneration, taking his annual fee to £70,000, was applicable from that date. The additional remuneration of £8,000 has been processed to be paid in March 2023.
5. Julia King was paid £55,000 for the year ended 31 December 2022. Following her appointment to the Tech and Ops Committee on 15 March 2022, an additional £5,000 remuneration, taking her annual total to £60,000, was applicable from that date. On 2 November 2022 Julia was further appointed as Chair of the ESG Committee, resulting in an additional £5,000 remuneration, increasing her annual fee to £65,000. The additional remuneration of £4,821 has been processed to be paid in March 2023.
6. The remuneration paid to Trine Borum Bojsen accrued from her appointment on 15 March 2022. On 28 September 2022, Trine was appointed as Employee Engagement Director on behalf of the Board, resulting in her annual remuneration rising an additional £5,000. The additional remuneration relating to the period from 28 September 2022 to 31 December 2022, of £1,308 has been processed to be paid in March 2023.

2.2 2022 annual bonus (payable in 2023)

2.2.1 Determination of the 2022 annual bonus

The annual bonus is intended to reward delivery of short-term operational targets which are derived from the Company's annual business plan.

The annual bonus award is based on the Committee's assessment of Executive Directors' performance against several stretching objectives and key performance indicators ("KPIs") agreed by the Board at the beginning of the year using a balanced scorecard approach split across financial performance, commercial scale, partner progress and success, technology advancements, and operational delivery and efficiency.

In assessing performance, the Committee uses a formulaic approach to reviewing outcomes and deliverables against the objectives set at the start of the year. The Committee then considers the wider macroeconomic environment to assess the extent to which this may have affected outcomes.

For 2022, a significant proportion of the financial performance and commercial scale objectives were attributable to the anticipated formation of the joint venture between Ceres, Bosch and Weichai. Whilst the Committee recognised the considerable work and effort that went into preparing the ground for this, a deferral to this strategic venture in China was announced on 17 November 2022 and this had a direct impact on the outturn of the results in relation to the metrics of financial performance and commercial scale.

The table below shows the results of the Committee's assessment of the performance delivered in 2022.

Metrics	Weighting (CEO/CFO)	Result
Financial performance	20%	0%
Licensees to succeed	25%	33%
Commercial scale	25%	25%
Technology leadership	15%/10%	60%
Key business enablers	15%/20%	61%
Total	**100%**	**36%**

Corporate governance

2. Remuneration outcomes for 2022 continued

2.2 2022 annual bonus (payable in 2023) continued

2.2.2 Quantum of bonus award

Whilst the mathematical scorecard outcome for 2022 was 36%, this was adjusted down by the Committee to 35% as a final bonus achievement for the CEO and CFO, resulting in bonus awards of £183,750 and £144,375 respectively. Final bonus awards for all Executives are payable in cash in March 2023.

	CEO	CFO
Bonus achievement after weighting	35%	35%
Value in cash	£183,750	£144,375

2.3 Long Term Incentive Plan

The 2019-2022 LTIP award was subject to performance conditions assessed to 30 June 2022.

The LTIP performance criteria for the Executive Directors consisted of share price target; licence revenue; and cumulative income.

Whilst the share price target was met (at £5.48), both the licence revenue and cumulative income targets were predicated on successfully forming the strategic joint venture in China, which did not occur within the three-year performance criteria.

As a result of this, licence revenue for the year ended 30 June represented 40% of total revenue and income as against the target of 50%. Overall cumulative income at the end of the performance period equated to £74.5 million as against the target of greater than £118 million. The Committee concluded that the criteria for both these elements had not been met.

In assessing the overall performance, the Committee determined that the awards should vest based on a 44% achievement for the Executive Directors and Persons Discharging Managerial Responsibilities ("PDMRs") as illustrated in the table below. These are subject to a two-year holding period for the Executive Directors as per the scheme rules.

Target performance metric	Weighting	Actual achievement	Result (weighting x achievement)
Share price (> £3.50)	44%	100%	44%
Licence revenue (licence revenue of 50% or more of the total revenue and income in the year ended 30 June 2022)	28%	0%	0%
Cumulative income (>£118m)	28%	0%	0%
Total			**44%**

For the non-PDMRs the performance criteria were split 50:50 between the share price target stated above alongside partner progress towards successful product launches and these were scored at 100% and 50% achievement respectively, giving an overall achievement and vesting result of 75%.

2.4 Directors' interests

	At 31 Dec 2021 number	Granted number	Exercised	Lapsed/ surrendered number	At 31 Dec 2022 number	Exercise price	Exercise period
Phil Caldwell							
Options	123,313	—	—	—	**123,313**	£0.85	Nov 2019 — Nov 2023
Options (unapproved)	80,424	—	—	—	**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)	7,109	—	(7,109)	—	**—**	£1.27	Jun — Nov 2022
Sharesave options (approved)	4,610	—	—	—	**4,610**	£1.95	Feb — Jul 2023
Sharesave options (approved)	—	1,510	—	—	**1,510**	£5.96	Jun — Dec 2025
LTIP	558,593	—	—	—	**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	—	—	(90,552)	**71,148**	£0.10	Oct 2022 — Oct 2029
LTIP	114,107	—	—	—	**114,107**	£0.10	Dec 2023 — Dec 2030
LTIP	—	126,080	—	—	**126,080**	£0.10	Mar 2025 — Mar 2032
	1,575,386	**127,590**	**(7,109)**	**(90,552)**	**1,605,315**		

2.4 Directors' interests continued

	At 31 Dec 2021 number	Granted number	Exercised	Lapsed/ surrendered number	At 31 Dec 22 number	Exercise price	Exercise period
Eric Lakin							
Sharesave options (approved)	—	3,020	—	—	**3,020**	£5.96	Jun – Dec 2025
LTIP	—	118,880	—	—	**118,880**	£0.10	Mar 2025 – Mar 2032
	—	**121,900**	—	—	**121,900**		

2.4.1 Directors' interests in shares

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

- Phil Caldwell: 67,673;
- Eric Lakin: 5,991;
- Steve Callaghan: 149,352;
- Aidan Hughes: 31,520;
- Warren Finegold: 10,004;
- Tudor Brown: 15,000; and
- Uwe Glock: 8,000.

2.5 Performance graph

The following graph shows the Group's performance, measured by total shareholder return ("TSR"), compared with the performance of the FTSE AIM for the period from 1 January 2022 to 9 February 2023. Share price performance represents one of the key performance indicators of the LTIP scheme, measured over a three-year performance period.

2.6 CEO pay ratio

The table below shows the CEO pay ratios for 2022 using method B (gender pay gap methodology) relative to the 2021 pay ratios.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022	B	18.3	15.7	8.2
2021	B	16.5	11.9	8.5

2.7 Payments for loss of office and to past Directors

There were no payments for loss of office made to Executive Directors during the year (2021: no payments).

3. Implementation of Directors' remuneration policy for 2023

3.1 Base salary

Salaries are reviewed annually considering market benchmarks for executives of comparable status, responsibility and skill, overall company performance as well as broader macroeconomic factors such as inflation. For 2023 the Committee has agreed with the Executive Directors that their salaries be frozen, allowing for a 6% salary increase to be available and applied across the wider workforce.

From an employee communication and engagement perspective, this was shared at the monthly "All Hands" meeting held in January 2023.

A full external executive pay benchmark refresh is planned for 2023 and this will feed into future pay recommendations and the Directors' remuneration policy.

Base salary of Executive Directors

Base salary at	CEO	CFO
1 January 2023	£350,000	£275,000
1 January 2022	£350,000	£275,000

3.2 Annual bonus

The following chart shows the nature of performance metrics and weightings that will be applied to the Executive Directors for the annual bonus in 2023. The Committee considers that the disclosure of detailed performance targets in advance for 2023 would be commercially sensitive and they are not, therefore, disclosed here. Scorecard targets will be disclosed in the subsequent Directors' Remuneration Report when they are no longer deemed to be commercially sensitive.

Annual bonus metrics

3.3 Long Term Incentive Plan

Following an independent review of the LTIP scheme by WTW in 2022, the Committee plans to make an adjustment to the LTIP performance criteria for the 2023 LTIP award grant, covering the period from 1 January 2023 to 31 December 2025 which will be granted in March 2023.

The main change endorsed by the Committee is the move away from using an absolute share price target and instead adopting a relative share price target using two peer groups (split 50:50), namely the FTSE 250 Index alongside the Solactive Hydrogen Economy Index, which is an industry-specific index.

The performance criteria associated with the 2023 LTIP award will be based on the following criteria and weightings:

Performance criteria	Weighting (PDMR)	Weighting (non-PDMR)
TSR performance	25%	25%
Order intake	25%	25%
Cumulative revenue and grant income	25%	25%
Declared licensee partner production capacity	25%	25%

The Executive Directors LTIP awards will be granted based on 250% of base salary for the CEO and 200% of base salary for the CFO.

3.4 Non-Executive Directors' fees

Following a review of comparable external benchmarking of Non-Executive Director fees in 2022, no further adjustments are planned in relation to the Non-Executive Directors' fees for 2023, with the exception of the Chair of the Board whose fees will increase once the Company has successfully completed the move onto the FTSE index.

Non-Executive Directors' fees for 2023

Position	2023	2022
Chair of the Board	£120,000*	£120,000
Board fee (incorporating membership of one committee)	£55,000	£55,000
Senior Independent Director	£10,000	£10,000
Committee Chair	£10,000	£10,000
Additional committee membership	£5,000	£5,000
Employee Engagement Director	£5,000	—

* The fees for the Chair of the Board will increase to £180,000 per annum once listing on the FTSE index has been completed (as previously reported in the 2021 Annual Report).

4. Remuneration policy

4.1 Remuneration principles

Ceres has adopted a set of remuneration principles that apply across the whole company. Remuneration arrangements for our Executive Directors have been developed with the following principles in mind:

- strategic alignment – reward will be linked to achieving Ceres' long-term strategy, growth and sustainability;
- cultural alignment – reward will be linked to our purpose and values;
- performance related – reward outcomes will be based on performance measured against clear targets and criteria;
- market competitive – comprised of fixed pay around the median and variable pay capable of delivering remuneration at upper quartile;
- balanced and fair – reflective of best practice and aligned to the UK Corporate Governance Code; and
- sustainable – reflective of the sustainability of the Company and our contribution to a broader sustainable future.

4.2 Executive Directors' remuneration policy

The remuneration of the Executive Directors comprises of base salary, participation in an annual bonus plan, a Long-Term Incentive Plan, along with a range of benefits aligned with the wider company as set out in the table below:

Component	Purpose	Operation	Opportunity	Performance metrics
Base salary	To provide appropriate remuneration based on role remit and contribution to leadership and Company strategy.	Salaries are reviewed annually and set at median levels taking into account market ranges for Executives in companies of a similar size and industry sector.	Salary increases are typically kept in line with the rest of the Company. Increases in excess of the wider workforce are driven by market data and conditions.	None.
Pension	To provide an opportunity for Executives and employees to build up income on retirement.	Executives participate in the Group Personal Pension ("GPP") plan or a similar cash allowance is provided for those exceeding HMRC pension allowances.	Pension contributions are in line with all employees at up to 8%.	None.
Benefits	To provide market competitive employee benefits.	Benefits encompass health and travel related benefits and insurances. These are reviewed and benchmarked on a periodic basis.	Executive benefits mirror those of all employees.	None.
Sharesave	To encourage UK-based employees to own shares in Ceres Power Holdings.	The Ceres Power Holdings Sharesave scheme is an all employee plan which the Executive Directors can participate in.	Savings capped at HMRC limits.	None.

4. Remuneration policy continued

4.2 Executive Directors' remuneration policy continued

Component	Purpose	Operation	Opportunity	Performance metrics
Annual bonus	To incentivise and reward strong performance against annual business goals and objectives.	Performance targets and measures are set at the start of each year. The Committee considers the extent to which these have been achieved and determines the award level.	The target award is 150% of salary. The maximum award is 150% of target. The threshold is 25% of target.	Using a weighted scorecard approach, performance is measured against agreed targets and KPIs covering financial performance, licensee success, commercial scale, technological advancement, ESG and personal objectives. The Committee retains the discretion to adjust the bonus if it considers that the formulaic outcome does not reflect underlying business performance.
Long-Term Incentive Plan ("LTIP")	To engage and motivate Executive Directors to deliver on KPIs that support the long-term strategy in order to deliver long term returns to shareholders.	An annual award of Ceres Power Holdings share, subject to performance criteria over a three-year performance period. An additional holding period of two years applies following vesting.	The maximum annual grant is 300% of salary. Threshold performance results in 25% vesting, rising to 100% vesting for maximum performance.	The vesting of awards is linked to agreed performance criteria which may include but is not limited to: • financial performance (e.g. cumulative revenue); • partner success (new and existing); • key business and technology milestones; and • relative share price performance. Weightings may vary from year to year. The Committee has discretion to amend the performance criteria in exceptional circumstances if it considers it appropriate to do so with appropriate justification and disclosure.
Shareholding requirements	To ensure sustained alignment between the interests of the Executive Directors and our shareholders, the CEO and other Executives are required to build and maintain a shareholding equivalent to 150% and 100% of their salaries respectively.			
Malus and clawback	The Committee may apply malus and/or clawback to variable pay in certain specified circumstances including: misconduct, material misstatement of financial results affecting the assessment of a performance condition, or where there has been an error or inaccuracy relating to the determination of variable pay.			

4.3 Executive Director service agreements

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

4.4 Non-Executive Directors' remuneration policy

Ceres seeks to attract and retain Non-Executive Directors of a high calibre that have the expertise, responsibility, and the time commitment to be able to contribute to an effective Board and deliver long-term sustainable shareholder value. All Non-Executive Directors have formal letters of appointment that can be terminated on one month's written notice by either side.

The Chairman is paid a single fee for all responsibilities. The Non-Executive Directors are paid a basic fee which encompasses membership of one Board Committee, with Committee Chairs, the Senior Independent Director, the Employee Engagement Director and members of additional Board Committees paid an additional fee to reflect their extra responsibilities. The Chair and Non-Executive Directors receive no other pay or benefits, except for reimbursement of expenses, and do not participate in incentive plans. Fees are reviewed on an annual basis.

Tudor Brown
Non-Executive Director

The Directors present their Annual Report together with the audited financial statements for the year ended 31 December 2022.

Principal activities
Ceres is a leading developer of clean energy technology, fuel cells for power generation and electrolysers for green hydrogen. Its licensing model enables partners to deliver systems and products at scale and pace to decarbonise power generation, transportation, industry and everyday living.

Articles of Association
The Company's Articles of Association ("Articles") may only be amended by special resolution at a general meeting of the shareholders. The Articles are available on the Company's website at https://www.ceres.tech/investors/shareholder-centre/documents/.

Directors
The Directors of the Company who served during the year ended 31 December 2022 and up to the signing of these statements are set out on pages 43 to 45. The following Directors joined or left the Company during the year:

- Richard Preston (Chief Financial Officer) retired from the Board 10 January 2022;
- Eric Lakin (Chief Financial Officer) appointed to the Board 10 January 2022; and
- Trine Borum Bojsen (Non-Executive Director) appointed to the Board 15 March 2022.

The appointment and removal of Directors is governed by the Articles, the Companies Act 2006, the QCA Code 2018 and related legislation. All Directors will put themselves forward for re-election at the Annual General Meeting of the Company in 2023. More details on the process to appoint new Directors is set out in the Remuneration & Nomination Committee report.

Directors' and Officers' liability insurance
The Company maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006. The Company also grants third party indemnities for the benefit of its Directors which remain in force at the date of this report.

Results and dividends
The consolidated results for the Group are set out on page 75 of the financial statements. The Directors do not recommend the payment of a dividend (2021: £nil).

Share capital
The Company's shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company's Articles contain provisions which govern the ownership and transfer of shares.

As at 31 December 2022 the Company had an allotted and fully paid share capital of ordinary shares with a nominal value of 10 pence each of 192,086,775 (31 December 2021: 190,729,638). Each share carries one right to vote at general meetings of the Company. No shareholder holds securities having special rights with regard to control of the Company. There are no restrictions on voting rights or the transfer of securities in the Company and the Company is not aware of any agreements between holders of these securities that would result in such restrictions. Details of the Company's share capital, including changes during the year, is set out on page 101.

Major shareholders
The Company has been notified of the following holdings of 3% or more of the 192,318,738 ordinary shares of £0.10 each in the Company at 22 March 2023.

Table of major shareholders	No. of Shares	% of ISC
Weichai Power (Hong Kong) International Development Co., Ltd	37,965,262	19.74%
Robert Bosch GmbH	33,790,880	17.57%
Hargreaves Lansdown Asset Mgt	8,359,082	4.35%
BNP Paribas Asset Mgt	7,698,058	4.00%

Employee information
The business engages with its colleagues in numerous ways including regular communications via its shared intranet, email communications, virtual and in person sessions and monthly "All Hands" meetings. The Connect employee forum provides a platform for views to be heard but also engagement and inclusion opportunities, especially in relation to the marking and celebration of certain events during the year. In November 2022, the Company hosted a 21st Birthday event for all employees in Brighton. Surveys are conducted throughout the year to gauge employees' thoughts and to obtain feedback on issues and events (including the Brighton event).

The Company actively works to attract, recruit, support, develop and retain the best talent from diverse backgrounds. As an equal opportunities employer the Company makes reasonable accommodation to enable all individuals to apply and compete for employment opportunities for which they are qualified. The Company also seeks to ensure the continuation where possible and practical of employees in their role should they incur a disability whilst employed by the Company.

Branches outside the UK
As at 31 December 2022 the Group has branches in Weifang, China and in Seoul, South Korea which support the Group's business development strategy in those territories.

Political donations
The Group made no political donations in the year ended 31 December 2022 or the prior year.

Payment practice policy
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 2022, as a proportion of amounts invoiced by suppliers during the previous year, represented 47 days (31 December 2021: 34 days). Trade creditors of the Company as at 31 December 2022, as a proportion of amounts invoiced by suppliers during the previous year, represented 3 days (31 December 2021: 7 days).

Going Concern Statement
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. More detail can be found in the financial statements on page 80.

Additional disclosures

The following information that is relevant to this Directors' Report and is incorporated by reference can be located as follows:

Business review and future developments	Chair of the Board's Statement, Chief Executive Officer's Report and Chief Financial Officer's Statement	Pages 6, 8 and 34
Principal risks and uncertainties	Strategic Report	Page 39
Corporate and social responsibility	Sustainability	Page 26
Corporate governance	Corporate governance report and Company website	Page 47
Financial instruments	Financial statements	Pages 75 to 111
Research and development expenditure	Note 4 financial statements	Page 86
Directors	Directors' information	Page 43
Directors' interests in shares	Directors' Remuneration Report	Page 61
People policies and colleague engagement	Sustainability	Page 32
Stakeholder engagement (S172 Statement)	Board engagement with stakeholders	Page 18
Greenhouse gas emissions and energy consumption	Sustainability	Page 30

Events after the reporting date

No significant events have occurred after the reporting date.

Statement of disclosure to the auditor

Each of the persons named as Directors at the date of this report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that they have taken all 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

A resolution to reappoint BDO LLP as the Company's External Auditor for the year ended 31 December 2023 and for their remuneration to be agreed by the Audit Committee, will be submitted to the 2023 Annual General Meeting.

Statement of Directors' Responsibilities in respect of the Annual Report and financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group and parent company financial statements in accordance with UK adopted international accounting standards.

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 the profit or loss of the Group and parent company for that period.

In preparing these 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;
- state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors' Report has been approved by the Board of Directors and is signed on their behalf by:

Eric Lakin
Chief Financial Officer
23 March 2023

Financial statements

68 Independent auditor's report
75 Consolidated statement of profit and loss and other comprehensive income
76 Consolidated statement of financial position
77 Consolidated cash flow statement
78 Consolidated statement of changes in equity
79 Notes to the consolidated financial statements
106 Company balance sheet
107 Company statement of changes in equity
108 Notes to the Company financial statements
112 Directors and advisers

Independent auditor's report
to the members of Ceres Power Holdings plc

Opinion on the financial statements

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

We have audited the financial statements of Ceres Power Holdings Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 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 UK adopted international accounting standards. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessment of assumptions within the project cash flows: we evaluated the reasonableness of the assumptions and future plans modelled within the Board approved going concern forecasts, covering the period to 30 June 2024, including the impact of strategic initiatives. We considered whether the forecasts aligned with how the Group had traded throughout the year and post year end, which included reviewing the movement in revenue against our understanding of the contracts and the movements in expenditure compared to historic costs.
- Sensitivity analysis: evaluation of sensitivities of the Group's cash flow forecasts. The analysis considered reasonably possible adverse effects that could arise as well as a stress test to considered the level of future revenue reduction and cost increases that the Group could support.
- Post year end trading performance: comparison of the post year end trading results to the forecasts so as to evaluate the accuracy and achievability of the forecasts planned.
- Disclosures: evaluation of the adequacy of the disclosures in relation to the risks posed and scenarios the Directors have considered in performing their going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	99% (2021: 100%) of Group loss before tax 100% (2021: 100%) of Group revenue 99% (2021: 100%) of Group total assets		
Key audit matters		2022	2021
	Revenue recognition – incorrect application of IFRS 15	✘	✓
	Revenue recognition – forecast labour hours	✓	✘
	Revenue recognition – revenue spreadsheet errors	✓	✓
	Inventory valuation	✓	✓
	Capitalisation of development costs	✓	✓
	Revenue recognition – incorrect application of IFRS 15 is no longer considered to be a key audit matter because only one new significant contract has been agreed in the year and no revenue has been recognised in relation to the contract.		
Materiality	**Group financial statements as a whole** £332,000 (2021:£462,000) based on 1.5% (2021: 1.5%) of revenue.		

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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates in the United Kingdom and China, though the Chinese entity is a holding company. The Group financial statements are a consolidation of seven companies. The Group is made up of four trading companies supported by three holding companies, one of which being the Parent Company. In establishing the overall approach to the Group audit, we determined the nature and amount of work that needed to be performed on each component. All components apart from the Chinese entity were considered significant.

Based on our assessment we performed a full scope audit of the complete financial information of all entities within the Group apart from the Chinese entity. The financial information of the Chinese entity has been subject to an analytical review with specific audit procedures completed over material balances. All audit procedures were performed by the Group engagement team.

Overview continued

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 year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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 1		How the scope of our audit addressed the key audit matter
Revenue Recognition – forecast labour hours (Accounting policies, Note 2 – Revenue £22,130k)	Engineering services revenue is recognised over time using the labour hours incurred as a percentage of the forecast hours to determine the stage of completion. The forecast labour hours is highly judgemental. There is therefore a risk that the forecast labour hours are incorrect and as such the amount of revenue recorded is not reflective of the stage of completion of the contract.	Our audit procedures included the following for a sample of engineering services contracts: • We tested the operating effectiveness of the control in relation to the review and approval of the forecast labours hours at the year end through attendance at the engineering services project meetings. The testing checks that the forecast labour hours are approved by a senior member of staff only after challenging and understanding the stage of completion of the contract. • Challenged the project manager as to the stage of completion of the contract against the stage of completion recognised through consideration of internal memo's prepared and milestones per the contract to check that the revenue calculation was reflective of the actual position. • Considered the ability and competence of the project managers to prepare the forecast labour hours calculation. • Investigated the post year end performance to understand the accuracy of the year end forecast labour hours. • Reviewed the prior year estimate of the total forecast hours and compared it to this year's forecast. Further we reviewed how the total forecast hours have changed throughout the year on each project to understand the accuracy of previous forecasts and the validity of any changes made to the total forecast hours in the current year. **Key observations:** As a result of the testing above we did not find any matters to suggest that the forecast labour hours was inappropriate.

Key audit matter 2		How the scope of our audit addressed the key audit matter
Revenue Recognition – revenue spreadsheet errors (Accounting policies, Note 2 - Revenue £22,130k)	The Group uses a manual spreadsheet to calculate revenue related balances. Due to this manual process, there is a risk that the revenue spreadsheet is incorrectly completed, manually manipulated or there are errors in the spreadsheet leading to incorrect revenue recognition.	For a sample of revenue recognised for each of the three revenue streams we agreed the revenue through to supporting documentation to check that the revenue has been correctly recognised and in the correct year. We reconciled the revenue spreadsheet to the nominal ledger and compared the spreadsheet to the version audited in the prior year to check the accuracy of any historic data brought forward. We performed data analytics on the spreadsheet to check the formulae and functionality, and to check there was no data corruption. **Key observations:** As a result of the testing above we did not find any material matters to report with regards to the Group's revenue spreadsheet.

Overview continued

Key audit matters continued

Key audit matter 3		How the scope of our audit addressed the key audit matter
Inventory Valuation (Accounting policies, Note 14 – Inventories £5,714k)	The Group's inventory is valued using standard costing. Therefore the inventory recorded includes an element of direct labour and overheads. We considered there to be a risk in relation to the estimates applied when calculating the standard cost to be absorbed into inventory.	Our audit procedures included the following: • We reviewed the standard costing applied to the valuation of inventory. This included, verifying the inputs to the calculation to supporting documentation and assessing the appropriateness of the assumptions including material yield and labour and overhead absorption which was assessed against historic rates. • We reviewed the nature of total operating costs incurred by the Group in the year and calculations applied for the inventory standard costing to identify any potential under absorption into the year end stock balance. **Key observations:** As a result of the testing above we did not find any matters to suggest that estimates made in the valuation of inventory relating to the absorption of standard cost were inappropriate.

Key audit matter 4		How the scope of our audit addressed the key audit matter
Capitalisation of development costs (Accounting policies, Note 12 – Intangibles, Customer and internal development programmes £12,126k)	The Group capitalises all eligible development costs as intangible assets on the basis that the technology has been commercially viable with the commencement of material licencing contracts with customers over the last three years and the assets meet the other capitalisation criteria of the applicable accounting standards. Management review the costs incurred against the requirements of the applicable accounting standard and consider if the capitalisation criteria has been met. There is a risk that costs are incorrectly capitalised as judgement is required as to whether the capitalisation criteria are met.	Our audit procedures included the following: • An assessment of the capitalised costs to understand the rationale behind capitalisation and the likelihood of future benefits to be drawn from the costs incurred as well to determine whether the other capitalisation criteria of the applicable accounting standard was satisfied. • On a sample basis we vouched underlying expenditure capitalised to invoices and other support. **Key observations:** As a result of the testing above we did not find any matters to indicate that judgements made in the capitalisation of development costs were inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing 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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2022 £	2021 £	2022 £	2021 £
Materiality	332,000	462,000	315,400	438,900
Basis for determining materiality	1.5% of revenue		Determined with reference to 95% of Group materiality.	
Rationale for the benchmark applied	We continue to consider revenue to be the most appropriate benchmark as the Group remains in the research and development stage of their growth and as such are not generating profits consistent with the operations and size of the business.		95% of Group materiality given the assessment of the component aggregation risk.	
Performance materiality	216,000	277,000	205,200	263,150
Basis for determining performance 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 number of areas of estimation within the financial statements and the type of audit testing to be completed. Performance materiality was set at 65% of materiality (2021: 60%)		In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements, the number of areas of estimation within the financial statements and the type of audit testing to be completed. Performance materiality set at 65% of materiality (2021: 60%).	

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 31% and 95% (2021: 29% and 95%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £102,000 to £315,400 (2021: £132,000 to £438,900). In the audit of each component, we further applied performance materiality levels of 65% (2021: 60%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £7,000 (2021: £9,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 year 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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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 statement of Directors' responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, AIM listing rules, the principles of the QCA Corporate Governance Code, and the applicable accounting frameworks.

We also assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to management override in relation to inappropriate journals and manipulation of accounting estimates and judgements. We also noted a fraud risk in relation to the forecasting of labour costs in relation to the engineering services revenue or through the manual overriding of the revenue recognition spreadsheet.

Auditor's responsibilities for the audit of the financial statements continued

Extent to which the audit was capable of detecting irregularities, including fraud continued

Our procedures in response to the above included the following:

- We agreed the financial statement disclosures to underlying supporting documentation.
- We made enquiries of management and those charged with governance as well as reviewing the Board and Audit Committee meeting minutes to identify any reported or indications of non-compliance with laws and regulations including fraud occurring within the Group and its operations.
- We reviewed and assessed the accounting estimates for possible bias, this included our testing in relation to the inventory valuation as detailed in the key audit matters above.
- We tested journal entries, focusing on journal entries containing characteristics of audit interest, year end consolidation journals, journals processed by users with priviledged IT access rights and those relating to revenue by agreeing to supporting documentation.
- In response to the risks of fraud in revenue recognition set out above, we have performed the procedures as set out in the key audit matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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, UK

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 year ended 31 December 2022

	Note	2022 £'000	2021 £'000 Restated[1]
Revenue	2	**22,130**	30,776
Cost of sales		**(9,079)**	(11,731)
Gross profit		**13,051**	19,045
Other operating income	4	**1,332**	2,228
Operating costs	4	**(65,905)**	(44,703)
Operating loss		**(51,522)**	(23,430)
Finance income	5	**2,830**	438
Finance expense	5	**(304)**	(380)
Loss before taxation	4	**(48,996)**	(23,372)
Taxation credit	8	**3,872**	2,280
Loss for the financial year and total comprehensive loss		**(45,124)**	(21,092)
Loss per £0.10 ordinary share expressed in pence per share:			
basic and diluted	9	**(23.58)p**	(11.36)p

1. The 2021 taxation credit has been restated to increase the credit by £310,000 following the adjustment of prior year R&D tax credit claims and a related tax provision reported in 2021. The 2021 results have further been re-presented to reflect the re-classification of the Group's RDEC tax credit of £1,304,000. This was previously disclosed within cost of sales but is now presented within other operating income to align to the change in presentation applied to the Group's 2022 results. See Note 1 for details.

The notes on pages 79 to 105 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2022

	Note	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000 Restated[1]	As at 31 Dec 2020 £'000 Restated[1]
Assets				
Non-current assets				
Property, plant and equipment	10	**25,964**	18,141	14,979
Right-of-use assets	11	**2,647**	2,438	3,971
Intangible assets	12	**13,278**	8,478	4,909
Long-term investments	17	**—**	5,000	8,000
Investment in associates	13	**2,460**	500	—
Other receivables	15	**741**	741	741
Total non-current assets		**45,090**	35,298	32,600
Current assets				
Inventories	14	**5,714**	3,145	2,107
Contract assets	2	**3,309**	7,331	864
Other current assets	16	**957**	1,133	1,002
Derivative financial instruments	20	**54**	1,073	59
Current tax receivable		**7,396**	1,615	1,208
Trade and other receivables	15	**17,153**	5,813	6,208
Short-term investments	17	**119,011**	93,129	69,231
Cash and cash equivalents	17	**63,309**	151,455	32,955
Total current assets		**216,903**	264,694	113,634
Liabilities				
Current liabilities				
Trade and other payables	18	**(4,933)**	(2,783)	(9,112)
Contract liabilities	2	**(6,387)**	(4,290)	(7,505)
Other current liabilities	19	**(7,286)**	(5,818)	(2,675)
Derivative financial instruments		**—**	—	(43)
Lease liabilities	21	**(610)**	(754)	(823)
Provisions	22	**(929)**	(1,579)	(612)
Total current liabilities		**(20,145)**	(15,224)	(20,770)
Net current assets		**196,758**	249,470	92,864
Non-current liabilities				
Lease liabilities	21	**(2,514)**	(2,285)	(3,622)
Provisions	22	**(1,933)**	(1,828)	(1,610)
Total non-current liabilities		**(4,447)**	(4,113)	(5,232)
Net assets		**237,401**	280,655	120,232
Equity attributable to the owners of the parent				
Share capital	23	**19,209**	19,073	17,217
Share premium		**405,463**	404,726	227,682
Capital redemption reserve	24	**3,449**	3,449	3,449
Merger reserve	24	**7,463**	7,463	7,463
Accumulated losses		**(198,183)**	(154,056)	(135,579)
Total equity		**237,401**	280,655	120,232

1. 2020 and 2021 trade and other receivables and current tax receivable have been restated to reflect an adjustment to prior year R&D tax claims as set out in Note 1.

The notes on pages 79 to 105 are an integral part of these consolidated financial statements. The financial statements on pages 75 to 78 were approved by the Board of Directors on 23 March 2023 and were signed on its behalf by:

Phil Caldwell
Chief Executive Officer

Eric Lakin
Chief Financial Officer

Ceres Power Holdings plc
Registered Number: 5174075

Consolidated cash flow statement

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Loss before taxation		(48,996)	(23,372)
Adjustments for:			
Finance income	5	(2,830)	(438)
Finance expense	5	304	380
Depreciation of property, plant and equipment	4	5,486	4,215
Depreciation of right-of-use assets	4	620	541
Amortisation of intangibles	4	1,032	1,004
Net foreign exchange gains	4	(690)	(563)
Net change in fair value of financial instruments at fair value through profit or loss	4	1,020	(1,057)
Share-based payments	25	997	2,615
Operating cash flows before movements in working capital and provisions		(43,057)	(16,675)
(Increase)/decrease in trade and other receivables and other current assets		(12,693)	22
Increase in inventories		(2,569)	(1,038)
Increase in trade and other payables and other liabilities		2,655	2,832
Decrease/(increase) in contract assets		4,022	(6,467)
Increase/(decrease) in contract liabilities		1,137	(3,215)
(Decrease)/increase in provisions		(637)	1,121
Net cash used in operations		(51,142)	(23,420)
Taxation (paid)/received		(380)	3,078
Net cash used in operating activities		(51,522)	(20,342)
Investing activities			
Investment in associate	13	(1,000)	—
Purchase of property, plant and equipment		(12,347)	(7,377)
Capitalised development expenditure		(5,832)	(4,573)
Repayment of long-term investments		5,000	3,000
Acquisition of short-term investments		(99,618)	(62,898)
Repayment of short-term investments		74,950	39,000
Finance income received		1,443	438
Net cash used in investing activities		(37,404)	(32,410)
Financing activities			
Proceeds from issuance of ordinary shares		873	181,472
Expenses from issuance of ordinary shares		—	(2,572)
Cash paid on behalf of employees on the sale of share options		—	(7,490)
Repayment of lease liabilities	21	(744)	(405)
Finance interest paid	21	(212)	(316)
Net cash (used by)/generated from financing activities		(83)	170,689
Net (decrease)/increase in cash and cash equivalents		(89,009)	117,937
Exchange gains on cash and cash equivalents		863	563
Cash and cash equivalents at beginning of year		151,455	32,955
Cash and cash equivalents at end of year	17	63,309	151,455

The notes on pages 79 to 105 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2021 - Restated[1]		17,217	227,682	3,449	7,463	(135,579)	120,232
Comprehensive income							
Loss and total comprehensive loss for the financial year		—	—	—	—	(21,092)	(21,092)
Total comprehensive loss		—	—	—	—	(21,092)	(21,092)
Transactions with owners							
Issue of shares, net of costs	23	1,856	177,044	—	—	—	178,900
Share-based payments	25	—	—	—	—	2,615	2,615
Total transactions with owners		1,856	177,044	—	—	2,615	181,515
At 31 December 2021 - Restated[1]		19,073	404,726	3,449	7,463	(154,056)	280,655
Comprehensive income							
Loss and total comprehensive loss for the financial year		—	—	—	—	(45,124)	(45,124)
Total comprehensive loss		—	—	—	—	(45,124)	(45,124)
Transactions with owners							
Issue of shares, net of costs	23	136	737	—	—	—	873
Share-based payments	25	—	—	—	—	997	997
Total transactions with owners		136	737	—	—	997	1,870
At 31 December 2022		19,209	405,463	3,449	7,463	(198,183)	237,401

1. 2020 and 2021 results have been restated to reflect an adjustment to prior year R&D tax claims as set out in Note 1.

The notes on pages 79 to 105 are an integral part of these consolidated financial statements.

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 UK-adopted international accounting standards ("IFRS").

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 106 to 111.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that are stated at their fair value.

During the year the Group re-classified the presentation of the Research and Development Expenditure Credit ("RDEC") tax credit within the consolidated statement of profit and loss. The RDEC tax credit was previously presented within cost of sales, however in order to better align with our peers and to achieve a more consistent presentation with other items to which we apply government grant accounting to (see Note 4), the Group now presents the RDEC tax credit within other operating income. Prior year comparatives have been re-presented accordingly. The impact of this change was to increase the current year's cost of sales and other operating income by £1.1m (2021: £1.3m).

The 2021 and 2020 results have been restated to reflect an adjustment to R&D tax credit claims for certain costs which were inadvertently claimed in 2019 and 2020 under the Small and Medium-sized Enterprise (SME) R&D tax credit schemes, whereas they should have been claimed at a lower claim rate under the RDEC scheme.

As a result, the 2021 taxation credit has been increased by £0.3m to remove a provision that was recognised in 2021 against future tax credits that should have been recognised in 2019 and 2020. The 2021 net loss has therefore reduced from £21.4m to £21.1m. The opening statement of financial position as at 1 January 2021 has also been presented, restated by a net £1.3m decrease to current assets reflecting a £1.9m decrease in current tax receivable under the SME tax scheme and a £0.6m increase in other receivables under the RDEC tax scheme. The 2021 other receivables increased by £0.9m and the current tax receivable decreased by £1.9m giving rise to a net decrease in net assets of £1.0m.

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.

Basis of consolidation

The consolidated financial statements of Ceres Power Holdings plc include the results of the Company, subsidiaries which are controlled by the Group and the Group's interest in associates. 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 substantive 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.

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operational policy decisions of the investee but is not control or joint control over those policies. The Group's share of the results of associates is included in the Group's Consolidated Statement of Profit or Loss using the equity method of accounting.

Investments in associates are recognised in the Group's Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of the entity's net assets, less any impairment in value. If the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the associate.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity.

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

Going concern

The Group has reported a loss after tax for the year ended 31 December 2022 of £45.1m (2021: £21.1m) and net cash used in operating activities of £51.5m (2021: £20.3m). At 31 December 2022, the Group held cash and cash equivalents and investments of £182.3m (31 December 2021: £249.6m). The Directors have prepared annual budgets and cash flow projections that extend 15 months from the date of approval of this report. The increased operating cash used in the year is in line with the Group's strategy to invest in the development of our electrolysis and fuel cell technology to support future revenue streams. Future projections include management's expectations of the further cash outflows associated with the Group's investment in R&D projects and expansion of manufacturing and testing capacity, together with contracted and anticipated customer contracts and the planned investment in the China collaboration with Bosch and Weichai. The projections were stress tested by applying different scenarios including the loss of significant future revenue, continued adverse macroeconomic factors and a scenario in which the planned joint ventures in China do not go ahead. 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 consolidated 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

Revenue from customer contracts

The Group has recognised revenue from customer contracts of £22.1m in the year ended 31 December 2022 (2021: £30.8m) and net contract liabilities of £3.1m as at 31 December 2022 (2021: net contract assets of £3.0m). Note 2 sets out the Group's accounting policies in respect of revenue from customer contracts and explains the movement in net contract assets when compared with the prior year.

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 is 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 the customer's prior experience with fuel cell technology.

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 the signing of commercial contracts with the Group's strategic partners in 2018, management determined that the probability threshold had been met for the Group's fuel cell (SOFC) technology, and the Group implemented processes to continuously 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 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. Generally, 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 Committee regularly reviews the critical judgements around capitalisation and useful economic life of development projects.

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

Capitalisation and amortisation of development costs continued

During the year ended 31 December 2022, the application of these judgements resulted in development costs of £5.6m (2021: £4.3m) being capitalised (see Note 12). The net book value of capitalised development costs as at 31 December 2022 increased to £12.9m (31 December 2021: £8.2m), and amortisation of £0.9m (2021: £1.0m) was charged during the year. Despite encouraging signs of progress with our SOEC technology during the year, including signing a contract to evaluate our first of a kind 1MW electrolysis demonstrator system with Shell and promising initial results from the internal test of our first electrolysis cell module (ECM) at our Horsham premises, we continue to expense costs incurred in researching and developing our electrolysis technology. When we apply the same strict criteria that we applied when considering capitalisation of our SOFC technology, we have determined that, as at 31 December 2022, the probability threshold to begin capitalisation has not yet been met.

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.

During the year, the Group signed an extension to a property lease and revised the expected term of that least accordingly. An adjustment of £0.8m was recognised to increase the right-of-use asset, with a corresponding adjustment to the lease liability, as set out in Notes 11 and 21.

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 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
- Recognition and measurement of inventory provision

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 cumulative actual contract costs (or labour hours) at each reporting period compared to the estimated total contract costs (or labour hours) required to deliver the service over the contract life. The assessment of the total project costs (or labour hours) required to deliver the contracted service is updated during the term of the contract by project managers and is 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 each contract reflect management's best estimate at that point in time. If the costs incurred for all of the Group's engineering services contracts were 10% higher or lower for the following 12 months (1 January 2023 to 31 December 2023), revenue recognised in that period could be up to £0.9m higher or lower (2021: £0.8m higher or lower) as a result.

Recognition and measurement of warranty provisions and contingent liabilities

As at 31 December 2022, the Group recognised warranty provisions of £0.9m (31 December 2021: £1.3m). 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, evidence provided from historical commercial settlements, or else estimated by experts.

During the year, following the completion of certain contracts and an additional year's data regarding stack failure and degradation rates, £0.7m of the existing provision was released. Of this amount, £0.3m has been disclosed as a contingent liability as although there remains a risk of stacks failing we have determined that this is not probable at the balance sheet date.

Management believes that, based on existing knowledge, it is reasonably possible that warranty costs could be up to 50% higher than expected. This could result in the Group incurring additional costs of up to c.£0.6m over the next 12 months (2021: £0.6m) as a result. Note 22 sets out further details around the Group's warranty provisions.

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

Recognition and measurement of dilapidation provisions

As at 31 December 2022, the Group has recognised dilapidation provisions of £1.9m (31 December 2021: £1.8m). 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 determine appropriate discount and inflation rates to apply. If total dilapidation costs ended up being 10% higher than expected, additional costs incurred would be in the order of £0.2m (2021: £0.2m). Note 22 sets out further details around the Group's dilapidation provisions.

Recognition and measurement of inventory provision

As at 31 December 2022, the Group held a higher volume of "quarantine" stacks than during previous periods, reflecting the increased manufacturing levels during the year. These stacks have failed initial internal testing against our demanding quality standards required to be met before stacks can be delivered to customers or partners. They are, however, still capable of being used for limited-life testing or system integration. Estimates have been applied when determining the number of stacks currently in quarantine that may be downgraded following subsequent testing, together with the number of stacks that have not yet been tested that may fail future testing. Estimates have also been applied when determining a net realisable value of these "downgraded" stacks, based on evidence of previous commercial negotiations. As a result, an inventory provision of £0.7m has been recognised as at 31 December 2022 (31 December 2021: £nil). Management believe that it is reasonably possible that a higher proportion of stacks could fail future testing, and that the provision could therefore increase by approximately £0.5m. Note 14 sets out further details around the Group's inventory.

New standards and amendments applicable as of 1 January 2022

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

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 2024 and have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the consolidated financial statements unless otherwise indicated:

The following amendments are effective for the period beginning 1 January 2024, but have not yet been adopted by the UK Endorsement Board:

- IFRS 16 Leases (Amendment – Liability in a sale and leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of liabilities as current or non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with covenants)

2. Revenue

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 customer's 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 and accepted.

Access to 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.

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.

2. Revenue continued

Revenue and direct costs continued

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 (based on labour hours)
- 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 cumulative actual contract costs (or labour hours) at each reporting period compared to the estimated total contract costs (or labour hours) to deliver the service over the contract life. The assessment of the total project costs (or labour hours) 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. This is considered further in the significant judgements and estimates section of Note 1.

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.

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

Geographical market

	2022 £'000	2021 £'000
Europe	8,460	7,676
Asia	13,253	22,748
North America	394	109
Rest of World	23	243
	22,130	30,776

For the year ended 31 December 2022, the Group has identified two major customers (defined as customers that individually contributed more than 10% of the Group's total revenue) that accounted for approximately 51% and 36% of the Group's total revenue recognised in the year (12 months ended 31 December 2021: three customers that accounted for approximately 59%, 25% and 11% of the Group's total revenue for that year).

Major product/service lines

	2022 £'000	2021 £'000
Engineering services	9,039	6,777
Provision of technology hardware	5,380	7,353
Licences	7,711	16,646
	22,130	30,776

2. Revenue continued

Timing of transfer of goods and services

	2022 £'000	2021 £'000
Products and services transferred at a point in time	4,760	15,326
Products and services transferred over time	17,370	15,450
	22,130	30,776

Contract-related assets and liabilities

	Note	31 Dec 2022 £'000	31 Dec 2021 £'000
Trade receivables	15	11,825	2,612
Contract assets – accrued income		3,309	7,010
Contract assets – deferred costs		—	321
Contract assets		3,309	7,331
Total contract-related assets		15,134	9,943
Contract liabilities – deferred income		(6,387)	(4,290)

No material expected credit losses were recognised against trade receivables or contract assets in either the current or prior year. Further details regarding the composition of trade receivables can be found in Note 15.

The contract assets – accrued income – relates 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 decrease in the balance compared with 31 December 2021 primarily relates to one customer, as a result of issuing significant invoices in the last quarter of the current year.

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

Revenue recognised in the current year that was included in the contract liabilities – deferred income – balance at the beginning of the year was £1,144,000 (12 months ended 31 December 2021: £5,199,000).

There were no significant amounts of revenue recognised in the year ended 31 December 2022 arising from performance obligations satisfied in previous periods (12 months ended 31 December 2021: no significant amounts).

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

	Contract assets 2022 £'000	Contract liabilities 2022 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		1,144
Increases due to cash received, excluding amounts recognised as revenue during the year		(3,241)
Transfers from contract assets recognised at the beginning of the year to receivables	(6,999)	
Increases as a result of changes in the measure of progress	3,298	

	Contract assets 2021 £'000	Contract liabilities 2021 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		5,199
Increases due to cash received, excluding amounts recognised as revenue during the year		(1,985)
Transfers from contract assets recognised at the beginning of the year to receivables	(837)	
Increases as a result of changes in the measure of progress	7,010	

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 year end is:

	2023 £'000	2024 £'000	2025 £'000
Evaluation, development, supply and licence agreements[1]	15,060	1,458	—

The comparatives as at 31 December 2021 are as follows:

	2022 £'000	2023 £'000	2024 £'000
Evaluation, development, supply and licence agreements[1]	23,982	10,311	1,988

1. Excluding future royalties receivable from partners and expected revenue from the planned collaboration with Weichai and Bosch in China.

2. Revenue continued

Contract-related assets and liabilities continued

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. Segmental analysis

In accordance with IFRS 8, the Group has identified two reporting segments, being Power (SOFC) and Hydrogen (SOEC), based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which the Group considers to be the Executive team. The Group reports revenue, gross profit and Adjusted EBITDA by segment to the Executive team.

	31 December 2022			31 December 2021 Restated[2]		
	Power – SOFC £'000	Hydrogen – SOEC £'000	Total £'000	Power – SOFC £'000	Hydrogen – SOEC £'000	Total £'000
Revenue (external)	21,950	180	22,130	30,776	—	30,776
Cost of sales	(9,070)	(9)	(9,079)	(11,731)	—	(11,731)
Gross profit	12,880	171	13,051	19,045	—	19,045
Other operating income	1,332	—	1,332	2,228	—	2,228
Operating costs (excluding adjusting items)	(35,769)	(21,844)	(57,613)	(25,765)	(12,183)	(37,948)
Adjusted EBITDA[1]	(21,557)	(21,673)	(43,230)	(4,492)	(12,183)	(16,675)
Adjusting items:						
Depreciation and amortisation			(7,138)			(5,760)
Share-based payment charge			(997)			(2,615)
Net foreign exchange gains			863			563
Fair value adjustment (unrealised foreign exchange)			(1,020)			1,057
Operating loss			(51,522)			(23,430)
Finance income			2,830			438
Finance expense			(304)			(380)
Loss before taxation			(48,996)			(23,372)
Taxation credit			3,872			2,280
Loss for the financial year			(45,124)			(21,092)

1. Adjusted EBITDA is an Alternative Performance Measure, and is defined on page 38.
2. The 2021 taxation credit has been restated to remove a provision of £0.3m recognised in 2021 against future tax credits, that should have been recognised in 2019 and 2020. Further, the 2021 RDEC tax credit of £1.3m has been re-presented to disclose the credit within other operating income rather than within cost of sales. Note 1 sets out the relevant details.

4. 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 12), 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.

4. Loss before taxation continued

Government grants continued

	2022 £'000	2021 £'000
Operating costs are split as follows:		
Research and development costs	48,348	31,290
Administrative expenses	15,165	11,245
Commercial expenses	2,392	2,168
	65,905	44,703
Loss before taxation is stated after (crediting)/charging:		
Other operating income – grant income	(251)	(924)
Other operating income – RDEC tax credit[1]	(1,081)	(1,304)
Other operating income – total	(1,332)	(2,228)
Staff costs, including share-based payments (Note 6)	34,801	26,992
Cost of inventories recognised as expense (Note 14)	5,023	5,867
Depreciation of property, plant and equipment (Note 10)	5,486	4,215
Depreciation of right-of-use assets (Note 11)	620	541
Amortisation of intangible assets (Note 12)	1,032	1,004
Repairs expenditure on property, plant and equipment	1,039	589
Net change in fair value of financial instruments at fair value through profit or loss	1,020	(1,057)
Net foreign exchange gain recognised in operating costs	(690)	(563)
Net foreign exchange gain recognised in finance income	(173)	—

1. The 2021 RDEC tax credit has been re-presented to disclose it within other operating income, to be consistent with our presentation of other items accounted for as government grants and the 2022 credit. The 2021 R&D tax credit of £1,304,000 was previously reported within cost of sales.

Services provided by the Group's auditor

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

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	54	25
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries	141	65
– audit-related assurance services – review of interim financial results, including audit assurance	150	134
– audit-related assurance services – grants and awards	7	21
– advisory services in relation to the Group's potential move to the Main Market	217	96
	569	341

5. Finance income and expense

Interest income and expense

Interest income and expense is recognised in the Consolidated Statement of Profit and Loss in the year in which it is earned or accrued.

	2022 £'000	2021 £'000
Interest received	2,657	438
Foreign exchange gain on cash, cash equivalents and short-term deposits	173	—
Total interest income	2,830	438
Interest on lease liabilities	(212)	(316)
Unwinding of discount on provisions	(87)	(64)
Other finance costs	(5)	—
Total interest expense	(304)	(380)

6. Employees and Directors

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

	2022 £'000	2021 £'000
By activity:		
Research and development	249	204
Prototype production	177	145
Administration	96	58
Commercial	14	7
	536	414

	2022 £'000	2021 £'000
Staff costs (for the above persons) comprised:		
Wages and salaries, including compensation for loss of office	28,584	20,613
Social security costs	3,290	2,390
Other pension costs (Note 7)	1,930	1,374
Share-based payments (Note 25)	997	2,615
	34,801	26,992

	2022 £'000	2021 £'000
Directors' emoluments:		
Aggregate emoluments	947	1,248
Company contributions to defined contribution pension schemes	51	44
Gain on exercise of share options and other share schemes[1]	38	98
	1,036	1,390

	2022 £'000	2021 £'000
Highest-paid Director:		
Aggregate emoluments	534	478
Company contributions to defined contribution pension schemes	30	25
Gain on exercise of share options and other share schemes[1]	38	—
	602	503

1. The Directors had LTIPs with an aggregate value of £2,999,435 exercisable as at 31 December 2022 (31 December 2021: £10,018,452).

Two Directors (2021: 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 58 to 64, which form part of these audited financial statements.

Key management compensation

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

	2022 £'000	2021 £'000
Salaries and other short-term employment benefits	3,386	2,298
Post-employment benefits	148	92
Share-based payments	342	1,502
	3,876	3,892

7. 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 £1,930,000 (12 months ended 31 December 2021: £1,374,000). No amount was payable to the funds as at 31 December 2022 (31 December 2021: £219,000).

8. Taxation and deferred taxation

Taxation

The taxation credit for the year 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 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 year, using tax rates enacted or substantively enacted at the year end. The current tax receivable represents the Directors' best estimate of tax due to the Group at the year end under the SME R&D tax and the RDEC credit regimes.

	2022 £'000	2021 £'000 Restated[1]
UK corporation tax	(4,470)	(2,917)
Foreign tax suffered	828	973
Adjustment in respect of prior periods[1]	(230)	(336)
Taxation credit	(3,872)	(2,280)

1. The 2021 taxation credit has been restated to remove a provision recognised in 2021 against future R&D tax credits that should have been recognised in 2019 and 2020. The restatement has increased the adjustment in respect of prior periods by £310,000, from a credit of £26,000 to a credit of £336,000.

The current tax rate of 19% is unchanged (2021: 19%).

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

The tax result for the year is different from the standard rate of small profits UK corporation tax of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £'000	2021 £'000 Restated[1]
Loss before taxation	(48,996)	(23,372)
Loss before taxation multiplied by the UK tax rate of 19.00% (2021: 19.00%)	(9,309)	(4,441)
Effects of:		
Losses carried forward	8,943	6,895
Enhanced tax deductions for R&D expenditure	(3,310)	(4,366)
Expenses not deductible	160	120
Fixed asset differences	(215)	456
Effect of overseas tax rates	742	788
Adjustment in respect of prior periods – R&D tax credit[1]	(230)	(336)
Difference between R&D tax credit and small company tax rate	1,387	1,199
Tax on RDEC credit	159	251
Other short term timing differences	(1,141)	—
Share option timing differences	(1,058)	(2,846)
Total taxation credit	(3,872)	(2,280)

1. The adjustment in respect of prior periods – R&D tax credit has been restated as described above.

A change in the main UK corporation tax rate, announced in the budget on 3 March 2021, was substantively enacted on 24 May 2021. From 1 April 2023 the main corporation tax rate will increase from 19% to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19%. Where the Company's profit falls between £50,000 and £250,000, the lower and upper limits, it will be able to claim an amount of marginal relief providing a gradual increase in the corporation tax rate. This will impact the Company's future tax charge accordingly.

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 year 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.

8. Taxation and deferred taxation continued

Deferred taxation continued

Potential deferred tax assets have not been recognised. The gross temporary differences are set out below:

	2022 £'000	2021 £'000 Restated
Temporary differences:		
Difference between capital allowances and depreciation	**60**	(6,587)
Deductions relating to share options	**(15,356)**	(50,773)
Other timing differences	**(319)**	(592)
Losses carried forward	**(171,884)**	(125,221)
	(187,499)	(183,173)

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 element of the RDEC credit that can only be set off against future UK Corporation tax liability is £1,225,000 (2021: £861,000) and has not been recognised as the Directors consider that it is unlikely that this asset will be realised in the foreseeable future.

9. Loss per share

Basic and diluted loss per £0.10 ordinary share of 23.58p for the year ended 31 December 2022 (31 December 2021: 11.36p) is calculated by dividing the loss for the financial year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Given the losses reported during the year, there is no dilution of losses per share for the year ended 31 December 2022 (31 December 2021: no dilution).

	2022 £'000	2021 £'000 Restated[1]
Loss for the financial year attributable to shareholders	**(45,124)**	(21,092)
Weighted average number of shares in issue	**191,385,618**	185,689,432
Loss per £0.10 ordinary share (basic and diluted)	**(23.58)p**	(11.36)p

1. The 2021 loss for the year has been restated to remove a provision recognised in 2021 against future R&D tax credits that should have been recognised in 2019 and 2020. The loss has been decreased by £310,000 compared with the amount previously reported. Details are set out in Note 1.

10. 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 Consolidated statement of profit and loss 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.

10. Property, plant and equipment continued

Property, plant and equipment continued

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 January 2021	5,883	21,409	2,061	314	756	12	30,435
Additions	1,529	3,521	502	34	1,791	—	7,377
Transfers	—	572	—	—	(572)	—	—
At 31 December 2021	7,412	25,502	2,563	348	1,975	12	37,812
Additions	1,111	5,147	203	—	6,848	—	13,309
Transfers	71	893	—	—	(964)	—	—
Disposal	(1,621)	(6,669)	(831)	(72)	—	—	(9,193)
At 31 December 2022	**6,973**	**24,873**	**1,935**	**276**	**7,859**	**12**	**41,928**
Accumulated depreciation							
At 1 January 2021	2,712	11,196	1,398	149	—	1	15,456
Charge for the year	646	3,089	392	83	—	5	4,215
At 31 December 2021	3,358	14,285	1,790	232	—	6	19,671
Charge for the year	936	4,030	444	73	—	3	5,486
Depreciation on disposals	(1,621)	(6,669)	(831)	(72)	—	—	(9,193)
At 31 December 2022	**2,673**	**11,646**	**1,403**	**233**	**—**	**9**	**15,964**
Net book value							
At 31 December 2022	**4,300**	**13,227**	**532**	**43**	**7,859**	**3**	**25,964**
At 31 December 2021	4,054	11,217	773	116	1,975	6	18,141
At 31 December 2020	3,171	10,213	663	165	756	11	14,979

Assets under construction primarily comprise plant and machinery and leasehold improvements related to the Group's manufacturing and testing facilities.

11. Right-of-use assets

The Group holds material leases for premises and lower value leases for IT equipment, with lease terms ranging from six months to ten years. The Group recognises right-of-use assets and lease liabilities (i.e. leases are recognised on the Consolidated Statement of Financial Position) for all leases other than for short-term leased plant and machinery (i.e. leases that have a term less than 12 months).

Lease liabilities are initially measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate. 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 21).

The associated right-of-use asset for property leases and other assets is initially measured at the amount equal to the lease liability reduced for any lease incentives received, and increased for: lease payments made at or before commencement of the lease; initial direct costs incurred; and the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset. Subsequently, right-of-use assets are measured at cost less any accumulated depreciation and adjusted for any re-measurement of the lease liability. The re-measured lease liability is calculated by discounting the revised lease payments using a revised discount rate at the effective date of the modification. A corresponding adjustment is also made to the right-of-use asset unless the scope of the lease is decreased, in which case a gain or loss may be recognised.

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. The carrying values of right-of-use 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 a right-of-use asset exceeds its recoverable amount.

11. Right-of-use assets continued

	Land and buildings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2021	4,729	18	4,747
Additions	—	43	43
Adjustment of lease term	(1,035)	—	(1,035)
Disposals	—	(18)	(18)
At 31 December 2021	3,694	43	3,737
Adjustment of lease term	829	—	829
At 31 December 2022	**4,523**	**43**	**4,566**
Accumulated depreciation			
At 1 January 2021	766	10	776
Charge for the year	523	18	541
Disposals	—	(18)	(18)
At 31 December 2021	1,289	10	1,299
Charge for the year	606	14	620
At 31 December 2022	**1,895**	**24**	**1,919**
Net book value			
At 31 December 2022	**2,628**	**19**	**2,647**
At 31 December 2021	2,405	33	2,438
At 31 December 2020	3,963	8	3,971

During the year, the Group signed an extension to a property lease and revised the expected term of that lease accordingly. An adjustment of £0.8m was recognised to increase the right-of-use asset, with a corresponding adjustment to the lease liability. During the prior year, the Group revised the expected term on one of its property leases, recognising an adjustment of £1.0m to reduce the right-of-use asset, with a corresponding adjustment to the lease liability.

12. 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 4).

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.

12. Intangible assets continued

Research and development continued

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
Perpetual software licences	Three 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	Perpetual software licences £'000	Patent costs £'000	Total £'000
Cost					
At 1 January 2021	411	4,424	—	295	5,130
Additions	—	3,983	252	338	4,573
At 31 December 2021	411	8,407	252	633	9,703
Additions	—	5,340	273	219	5,832
At 31 December 2022	**411**	**13,747**	**525**	**852**	**15,535**
Accumulated amortisation					
At 1 January 2021	82	139	—	—	221
Charge for the year	82	899	23	—	1,004
At 31 December 2021	164	1,038	23	—	1,225
Charge for the year	82	748	125	77	1,032
At 31 December 2022	**246**	**1,786**	**148**	**77**	**2,257**
Net book value					
At 31 December 2022	**165**	**11,961**	**377**	**775**	**13,278**
At 31 December 2021	247	7,369	229	633	8,478
At 31 December 2020	329	4,285	—	295	4,909

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

13. Subsidiary undertakings and associates

Details of the Group's subsidiaries and associates at 31 December 2022 are as follows:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Company	Type of entity
Ceres Power Ltd	England and Wales	£0.001 ordinary shares	100%[1]	Subsidiary
Ceres Intellectual Property Company Ltd	England and Wales	£1.00 ordinary shares	100%[1]	Subsidiary
Ceres Power Intermediate Holdings Ltd	England and Wales	£0.01 ordinary shares	100%	Subsidiary
Ceres Power Licence Company Ltd	England and Wales	£1.00 ordinary shares	100%[1]	Subsidiary
Ceres Holdings International Ltd	England and Wales	£1.00 ordinary shares	100%[1]	Subsidiary
Ceres Engineering Consulting (Shanghai) Co Ltd	Shanghai, China	£1.00 ordinary shares	100%[2]	Subsidiary
RFC Power Ltd	England and Wales	£0.001 ordinary shares	24.2%[3]	Associate

1. Ceres Power Ltd, Ceres Intellectual Property Company Ltd, Ceres Holdings International Ltd and Ceres Power Licence Company Ltd are 100% held directly by Ceres Power Intermediate Holdings Ltd. Registered address is Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX.
2. 100% held directly by Ceres Power Ltd. Registered address is Office 1903i, Floor 19/F, Tower B, No.1065 West Zhongshan Road, Changning District, Shanghai, China.
3. 24.2% held directly by Ceres Power Intermediate Holdings Ltd. Registered address is Imperial College, White City Incubator Translation and Innovation Hub, London, W12 0BZ.

The principal activity of Ceres Power Ltd is the commercialisation and continued development of the Group's fuel cell and electrochemical 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. The principal activity of Ceres Power Licence Company Ltd is the provision of overseas licence and royalty services.

On 23 August 2021, the Group established a Wholly Foreign Owned Entity (WFOE), Ceres Engineering Consulting (Shanghai) Co Ltd in Shanghai, China. The company is a 100% owned subsidiary of Ceres Power Ltd. The principal activity of the company is to provide business development and technical support to our business and partners in China.

On 11 November 2021 Ceres Power Intermediate Holdings Ltd acquired an 8.4% shareholding in RFC Power Ltd in exchange for consultancy services performed. RFC Power specialises in developing novel flow battery chemistries for energy storage systems. The shareholding was treated as an investment in associate as the Group determined that the transaction gave the Group significant influence over RFC Power, provided primarily by the share of equity capital and representation on the RFC Power Board. The Group recognised an investment in associate of £0.5m accordingly. At the same time, the Group signed an option agreement providing Ceres with the option to acquire the balance of the outstanding share capital for up to £25m, payable in Ceres shares, exercisable from July to November 2022.

On 6 December 2022, the Group signed revised equity and option agreements with RFC Power to (i) increase the Group's shareholding in RFC Power to 24.2% in return for a payment of £1m cash made on 6 December 2022 and for the provision of further consultancy services commencing in December 2022 through to mid-2024 for a value of £1m and (ii) defer the exercisable period whereby Ceres has the option to acquire all the remaining share capital of RFC Power from between May 2022 and November 2022, to between 1 January 2024 and 30 April 2024, but at the same exercise price.

The contribution of £2m has been treated as an additional cost of investment in the associate, increasing the cost of the investment to £2.5m at 31 December 2022 (31 December 2021: £0.5m). The value of the option continues to be determined to be £nil (31 December 2021: £nil).

The results of Ceres Power Ltd, Ceres Intellectual Property Company Ltd, Ceres Power Intermediate Holdings Ltd, Ceres Holdings International Ltd, Ceres Engineering Consulting (Shanghai) Co Ltd and Ceres Power Licence Company Ltd are included within these consolidated financial statements. The Group's share of the results of RFC Power Ltd are included within these consolidated financial statements by applying the equity method of accounting, as set out in Note 1. The Group's share of RFC's results since acquiring the shareholding is not material and has therefore not been disclosed separately.

On 9 February 2022, the Group announced the intention to collaborate with Weichai and Bosch to access the substantial opportunities that exist for fuel cell technologies in the Chinese market. This is likely to include a three-way collaboration to form a fuel cell system JV set up in Shandong province in China to develop and manufacture SOFC system products, with Weichai being the majority shareholder and Bosch and Ceres minority shareholders. Ceres is expected to take up a holding of 10%. Detailed non-binding Heads of Terms were signed by all parties in early 2022 and we now await the final agreement between Bosch and Weichai.

On 15 August 2022, the Group established a new international holding company, Ceres Holdings International Ltd. This company is a 100% owned subsidiary of Ceres Power Intermediate Holdings Ltd and is currently dormant.

14. Inventories

Inventories consist of raw materials, work in progress 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 2022 £'000	31 Dec 2021 £'000
Current:		
Raw materials	**1,566**	1,299
Work in progress	**1,477**	969
Finished goods	**2,671**	877
	5,714	3,145

Inventories have increased in line with the continued improvement in manufacturing capacity and to ensure the Group can satisfy existing and anticipated customer demand for technology hardware.

During the year ended 31 December 2022, inventories of £5.0m (12 months ended 31 December 2021: £5.9m) were recognised as an expense and were included within Cost of Sales. In addition, as at 31 December 2022, a provision of £0.7m (2021: £nil) was recognised following the downgrading of a number of stacks that failed our initial internal quality control testing. These stacks potentially have a more limited life than expected and have therefore been provided against to reflect their lower net realisable value. The calculation of this provision involved estimates, as described in Note 1.

15. Trade and other receivables

Trade and other receivables

Trade receivables are recognised initially at transaction price 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 20.

	31 Dec 2022 £'000	31 Dec 2021 £'000 Restated[1]
Current:		
Trade receivables	**11,825**	2,612
Other receivables	**5,328**	3,201
	17,153	5,813
Non-current:		
Other receivables	**741**	741

1. 2021 other receivables have been restated to reflect the adjustment of prior year R&D tax claims, as set out in Note 1. The R&D tax claim receivable has been increased by £948,000 accordingly.

The Group's trade receivables balance at 31 December 2022 is significantly higher than at 31 December 2021 primarily reflecting a number of significant invoices raised in the last quarter of 2022 with two major customers. Of the £11.8m due at 31 December 2022, c.£10m was received in the first two months of 2023. Other receivables primarily consist of amounts invoiced and recoverable in respect of grants, rent deposits, VAT and the RDEC tax credit. In particular, the RDEC and VAT balances increased compared with the prior year, primarily reflecting the increased R&D spend in the year. Non-current other receivables comprise rent deposit guarantees held by landlords in respect of the Group's leased properties. 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 year end. There are no expected credit losses recognised during the year ended 31 December 2022 (12 months ended 31 December 2021: £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 20).

16. Other current assets

	31 Dec 2022 £'000	31 Dec 2021 £'000
Current:		
Prepayments	869	673
Accrued interest income	—	322
Accrued other income	88	138
	957	1,133

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.

17. 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

Long-term investments include bank deposits with a maturity greater than 12 months as at the date of the Consolidated Statement of Financial Position.

	31 Dec 2022 £'000	31 Dec 2021 £'000
Long-term bank deposits greater than 12 months	—	5,000

Short-term investments

Short-term investments include 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 2022 £'000	31 Dec 2021 £'000
Cash at bank and in hand	7,837	4,957
Money market funds	55,472	146,498
Cash and cash equivalents	63,309	151,455
Short-term bank deposits greater than one month and less than 12 months	119,011	93,129
	182,320	244,584

The Group holds surplus funds in accordance with the treasury policy, as set out in Note 20.

	Interest rate type	31 Dec 2022 £'000	31 Dec 2021 £'000
Interest rate risk profile of the Group's financial assets:			
Cash at bank and in hand	Floating	7,837	4,957
Money market funds	Floating	55,472	146,498
Short-term bank deposits greater than one month and less than or equal to 12 months	Fixed and floating	119,011	93,129
Long-term bank deposits greater than 12 months	Fixed	—	5,000
		182,320	249,584

During the year ended 31 December 2022 the fixed rate short-term bank deposits were primarily designated in pounds sterling, had remaining terms of between 18 days and 10 months (31 December 2021: 32 days and 12 months) and earned interest of between 1.23% and 5.15% (31 December 2021: 0.05% and 1.8%). Also included in short-term bank deposits was a deposit of CNH68m (c.£8m) on a rolling monthly term earning interest of approximately 1.4% (31 December 2021: CNH68m (c.£8m) at 1.8%). 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.

18. Trade and other payables

Trade and other payables

Trade and other payables are initially recognised at fair value, which is typically the invoiced amount and then held at amortised cost. Other payables include taxes and social security amounts due on behalf of the Group's employees.

	31 Dec 2022 £'000	31 Dec 2021 £'000
Current:		
Trade payables	4,795	2,425
Other payables	138	358
	4,933	2,783

19. Other liabilities

	31 Dec 2022 £'000	31 Dec 2021 £'000
Current:		
Accruals	6,515	4,803
Deferred income	771	1,015
	7,286	5,818

Accruals include estimates of amounts owed to suppliers that have not been invoiced at the year end, and to the Group's employees for various employee-related payments. 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.

20. 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 re-measurement to fair value are recognised immediately in the Consolidated Statement of Profit and Loss as they arise and are shown in Note 4.

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 apply hedge accounting to any derivatives in place, and derivatives are treated at fair value through P&L. 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 material 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 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 2022 (31 December 2021: none).

20. Financial instruments continued

Fair values of financial assets and financial liabilities continued

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 31 Dec 2022 £'000	Fair value 31 Dec 2022 £'000	Carrying amount 31 Dec 2021 £'000	Fair value 31 Dec 2021 £'000
Financial assets at amortised cost					
Trade and other receivables		14,121	14,121	4,175	4,175
Cash, cash equivalents and investments		182,320	182,320	249,584	249,584
		196,441	196,411	253,759	253,759
Financial assets measured at fair value through profit or loss					
Forward exchange contracts	Level 2	26	26	321	321
Non-deliverable forward	Level 2	28	28	752	752
		54	54	1,073	1,073
Financial liabilities measured at amortised cost					
Trade and other payables and accruals		(10,957)	(10,957)	(7,548)	(7,548)

1. The comparatives or trade and other payables and accruals as at 31 December 2021 have been re-presented to exclude deferred income and certain non-financial instruments which had previously been presented as financial liabilities. This has reduced the amount disclosed as trade and other payables and accruals by £38,000 from £7,586,000 to £7,548,000 in respect of carrying amount and fair value. This has had no effect on the loss for the year ended 31 December 2021 or on net assets as at 31 December 2021.

Capital management

The Group's capital is considered to comprise cash at bank and short term investments as set out in Note 17. The Group's approach to managing its capital is described in the 'credit risk' section below.

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 £30m per institution into pooled money market funds with same-day access and of no more than £12m per institution for bank deposits with durations of up to 24 months. During the year 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 in which the UK Government holds less than 10% ordinary equity.

Trade receivables at the year end relate to three customers (31 December 2021: five) of which £579,000 relates to the Europe geographic region and £11,246,000 to Asia (31 December 2021: £697,000 related to the Europe geographic region, £274,000 to North America and £1,641,000 to Asia).

Contract assets at the year end related to four customers of which £927,000 relates to the Europe geographic region and £2,382,000 to Asia (31 December 2021: related to five customers of which £1,459,000 relates to the Europe geographic region, £321,000 to North America and £5,551,000 to Asia).

The Group's customers are generally 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 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 macroeconomic 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 2022 and as a result has not recognised a loss allowance for trade receivables or other contract assets (31 December 2021: 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.

20. Financial instruments continued

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 on all variable rate instruments held by the Group at 31 December 2022 would have impacted the finance income by £416,000 for the year ended 31 December 2022 (31 December 2021: £957,000).

The decrease in sensitivity to interest rate changes is driven by the reduction in variable-rate cash, cash equivalents and investments held at the balance sheet date when compared with 31 December 2021. Interest rate risk is mitigated by investing in deposit accounts of different durations ranging from 32 days to 24 months and by utilising deposit accounts with fixed interest rates.

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 2022						31 Dec 2021					
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	>5 years £'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 £'000
Non-derivative financial liabilities												
Trade and other payables and accruals[1]	(10,957)	(10,957)	(10,957)	—	—	—	(7,548)	(7,548)	(7,548)	—	—	—
Lease liabilities	(3,124)	(3,793)	(840)	(853)	(1,851)	(249)	(3,040)	(3,602)	(833)	(832)	(1,303)	(634)

1. The comparatives for trade and other payables and accruals as at 31 December 2021 have been re-presented to exclude deferred income and certain non-financial instruments which had previously been incorrectly presented as financial liabilities. This has reduced the amount disclosed as trade and other payables and accruals by £1,053,00 from £8,601,000 to £7,548,000 in respect of the carrying amount, contractual cash flows and amounts due in 1 year or less. This has had no effect on profit for the year ended 31 December 2021 or on net assets as at 31 December 2021.

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 year ended 31 December 2020, the Group entered into a fixed term deposit denominated in Chinese renminbi, to fund the expected initial investment of CNH68m (c.£8m) in the proposed collaboration with Weichai Power Co. Ltd. This deposit has been rolled forward following the ongoing discussions around the final form of the collaboration which are expected to complete during 2023.

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.

During the year ended 31 December 2020, the Group entered into a non-deliverable forward (NDF) to hedge an exposure to KRW related to a long-term customer contract. As at 31 December 2022, gross cash flows totalling £5.0m remained under the hedge (31 December 2021: £10.3m), which is due to be net-settled in pound sterling during 2023. Forward exchange contracts include forward currency contracts to sell €2.2m euros in total, and buy pounds sterling, over the next 12 months.

20. Financial instruments continued

Foreign currency exposures continued

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 2022	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	**2,126**	**2,531**	**85**	**456**	**89**	**30**
Fixed term bank deposits	**—**	**—**	**—**	**—**	**8,475**	**—**
Trade and other receivables	**27**	**2**	**—**	**—**	**—**	**—**
Trade payables and payments on account	**(516)**	**(178)**	**(4)**	**—**	**—**	**(6)**
Forward currency contracts – (outflow)/inflow	**(2,000)**	**—**	**61**	**33**	**—**	**—**
Balance sheet exposure	**(363)**	**2,355**	**142**	**489**	**8,564**	**24**

31 December 2021	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	1,687	505	38	565	103	29
Fixed term bank deposits	—	—	—	—	8,179	—
Trade and other receivables	474	274	—	—	—	—
Trade payables and payments on account	(287)	(393)	—	(9)	(25)	(10)
Other payables	—	—	—	—	(30)	—
Forward currency contracts – (outflow)/inflow	(5,421)	744	237	—	—	—
Balance sheet exposure	(3,547)	1,130	275	556	8,227	19

A 10% weakening of the following currencies against pound sterling at 31 December 2022 (or 31 December 2021) 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)	
	2022 £'000	2021 £'000
Euro	**36**	(314)
US dollar	**(235)**	(38)
Canadian dollar	**(14)**	(4)
Japanese yen	**(49)**	(56)
Chinese Renminbi	**(856)**	(734)
Other	**(2)**	(3)

A 10% strengthening of the above currencies against pound sterling at 31 December 2022 (or 31 December 2021) 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.

21. Lease liabilities

The Group leases certain assets under lease agreements. The lease liability consists of leases of land and buildings and computer equipment. The property leases expire between June 2024 and November 2028. Full details of the accounting policy under which leases are recognised are in Note 11.

	£'000
Balance as at 1 January 2021	4,445
New finance leases recognised	41
Lease payments	(721)
Interest expense	316
Adjustment to lease term	(1,042)
Balance as at 31 December 2021	3,039
Lease payments	(956)
Interest expense	212
Adjustment of lease term (see Note 11)	829
Balance as at 31 December 2022	**3,124**
Current	610
Non-current	2,514
Balance as at 31 December 2022	**3,124**
Current	754
Non-current	2,285
Balance as at 31 December 2021	**3,039**

Lease liability contractual maturities (representing undiscounted contractual cash-flows) are set out in Note 20.

22. Provisions and contingent liabilities

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.

Contingent liabilities

Contingent liabilities are disclosed where the likelihood of payment of potential future cash outflows is considered more than remote, but is not considered probable or cannot be measured reliably.

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 advisers. 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. Where warranty obligations are not considered to be probable, they are not provided for but instead are disclosed as contingent liabilities unless remote.

Contract losses

The Group holds provisions for expected losses on onerous contracts. 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 used to offset the costs incurred in delivering the onerous contracts.

22. Provisions and contingent liabilities continued

Contract losses continued

The movement in provisions charged to the Consolidated Statement of Profit and Loss for the year ended 31 December 2022 is set out below along with the value of provisions at 31 December 2022:

	Property dilapidations £'000	Warranties £'000	Contract losses £'000	Total £'000
At 1 January 2022	1,828	1,253	326	3,407
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	—	—	(137)	(137)
Unwinding of discount	87	—	—	87
Unused provision reversed	—	(707)	(135)	(842)
Increase in provision	18	329	—	347
At 31 December 2022	**1,933**	**875**	**54**	**2,862**
Current	—	875	54	929
Non-current	1,933	—	—	1,933
At 31 December 2022	**1,933**	**875**	**54**	**2,862**
Current	—	1,253	326	1,579
Non-current	1,828	—	—	1,828
At 31 December 2021	1,828	1,253	326	3,407

The dilapidation provision at 31 December 2022 represents the present value of costs to be incurred in making good the Group's leasehold properties at the break points of the leases in approximately two to three years' time. The main uncertainty relates to estimating the cost that will be incurred at the end of the respective leases.

The warranty provision at the year 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 customer 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 technology hardware that may require repairing 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 limited history of warranty claims with the Group's current customers, any final warranty obligation will be subject to negotiation with the respective customer. The calculation of the warranty provision is subject to certain estimates, as set out in Note 1.

During the year, following the conclusion of certain contracts utilising our fuel cell stacks, and based on a further year's data around stack failure and degradation rates, £0.7m of the existing provision was released to the Consolidated Statement of Profit or Loss. Of this amount, approximately £0.3m was re-classified as a contingent liability as the likelihood of the stacks failing or of the Group paying out on any potential subsequent stack failures for certain stacks that may still be run by customers is no longer considered to be probable, but is considered to be more than remote.

As at 31 December 2022, the contract loss provision relates to one contract for the provision of technology hardware. The existing loss provision at 31 December 2021 was utilised in the year as expected against final customer shipments. The remaining provision relates to an onerous contractual obligation to reimburse our customer to remove installed fuel cell systems from end user properties and to return them to us.

23. Share capital

	31 Dec 2022 £'000		31 Dec 2021 £'000	
	Number of £0.10 ordinary shares	£'000	Number of £0.10 ordinary shares	£'000
Allotted and fully paid				
At 1 January	**190,729,638**	**19,073**	172,171,527	17,217
Allotted £0.10 ordinary shares on exercise of employee share options	**1,357,137**	**136**	1,490,531	149
Allotted £0.10 ordinary shares on cash placing (see below)	**—**	**—**	17,067,580	1,707
At 31 December	**192,086,775**	**19,209**	190,729,638	19,073

On 17 March 2021 the Group announced a fundraise that would allot 17,067,580 new ordinary shares of £0.10 each in the Company, for a total gross cash consideration of £180,916,340. Together with the placing, 12,967,629 shares were allotted on 17 March 2021 which included Bosch and certain Directors of the Company subscribing for 3,649,150 and 24,376 shares respectively. On 19 May 2021 Weichai subscribed for and were allotted the remaining 4,099,951 shares.

During the year ended 31 December 2022, 1,357,137 ordinary £0.10 shares were allotted for cash consideration of £866,717 on the exercise of employee share options (year ended 31 December 2021: 1,490,531 ordinary £0.10 shares were allotted for cash consideration of £705,636) (see Note 25).

24. 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.

25. 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. Expected volatility was determined by calculating the historical volatility of the Company's shares compared with AIM over a period consistent with the expected term of the options.

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.

The total charge recognised in the year ended 31 December 2022 relating to employee share-based payments was £997,000 (2021: £2,615,000).

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.

	2022 £'000	2021 £'000
a) 2004 Employees' share option scheme	—	—
b) Sharesave schemes	241	384
c) Long Term Incentive Plan (LTIP)	756	2,231
	997	2,615

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:

	2022 £'000		2021 £'000	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding at 1 January	1,476	£0.75	2,425	£0.66
Exercised	(421)	£0.48	(946)	£0.52
Lapsed	(73)	£0.99	(3)	£0.85
Outstanding at 31 December	982	£0.84	1,476	£0.75
Exercisable	982	£0.84	1,476	£0.75

The weighted average share price on the exercise date of options was £5.73 (2021: £12.50).

25. Share options continued

Share-based payments continued

a) 2004 Employees' share option scheme continued

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

	2022 £'000		2021 £'000	
Expiry date – 31 December	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
2023	**250**	**£0.86**	611	£0.62
2024	**669**	**£0.84**	801	£0.84
2025	**36**	**£0.90**	37	£0.90
2026	**27**	**£0.55**	27	£0.55

The options outstanding at the end of the year have a weighted average contractual life of 1.45 years (31 December 2021: 2.15 years).

In 2014 and 2016, 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:

	2022 £'000		2021 £'000	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding at 1 January	**984**	**£2.83**	1,042	£1.43
Granted	**394**	**£5.96**	162	£9.83
Exercised	**(496)**	**£1.27**	(202)	£1.06
Lapsed/cancelled	**(209)**	**£7.53**	(18)	£4.91
Outstanding at 31 December	**673**	**£4.36**	984	£2.83
Exercisable	**6**	**£1.27**	—	—

The weighted average share price on the exercise date of options was £4.43 (2021: £11.01).

The weighted average fair value of options granted in the year was £3.34 (2021: £5.50).

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

	2022 £'000		2021 £'000	
Expiry date – 31 December	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
2022	**—**	**—**	516	£1.27
2023	**308**	**£1.95**	313	£1.95
2024	**42**	**£9.83**	155	£9.83
2025	**323**	**£5.96**	—	—

The options outstanding at the end of the year have a weighted average contractual life of 1.78 years (2021: 1.44 years).

25. Share options continued

Share-based payments continued

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 advisers. 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:

	2022 £'000		2021 £'000	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding at 1 January	3,963	£0.10	4,315	£0.10
Granted	892	£0.10	—	—
Exercised	(382)	£0.10	(342)	£0.10
Lapsed	(476)	£0.10	(10)	£0.10
Outstanding at 31 December	3,997	£0.10	3,963	£0.10
Exercisable	2,421	£0.10	2,134	£0.10

The weighted average fair value of options granted in the year ending 31 December 2022 was £3.97 (2021: no options granted).

The weighted average share price on the exercise date of options was £5.69 (2021: £12.36).

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

	2022 £'000		2021 £'000	
Expiry date – 31 December	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
2026	1,029	£0.10	1,141	£0.10
2027	289	£0.10	336	£0.10
2028	559	£0.10	657	£0.10
2029	544	£0.10	1,116	£0.10
2030	696	£0.10	713	£0.10
2031	—	—	—	—
2032	880	£0.10	—	—

The options outstanding at the end of the year have a weighted average contractual life of 6.45 years (2021: 6.88 years).

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 2022 27 April 2022	Sharesave scheme 2021 30 April 2021	Sharesave scheme 2020 22 January 2020	Sharesave scheme 2019 29 April 2019
Share price at date of grant (£)	7.450	12.290	2.440	1.583
Exercise price (£)	5.960	9.832	1.95	1.266
Expected volatility (%)	53%	53%	53%	53%
Expected option life (years)	3.25 years	3.25 years	3.25 years	3.25 years
Average risk-free interest rate (%)	1.00%	1.00%	1.00%	1.00%
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.

25. Share options continued

Assumptions continued

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

Grant date	LTIP 2022 23 March 2022	LTIP 2020 (2) 10–21 December 2020	LTIP 2020 (1) 10 October 2019	LTIP 2019 10 October 2018
Share price at date of grant (£)	7.40	10.52–11.56	2.16	1.89
Exercise price (£)	0.1	0.1	0.1	0.1
Expected volatility (%)	64%	31%	21%	54%
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 (%)	1.46%	1.00%	1.00%	1.75%
Expected dividend yield	Nil	Nil	Nil	Nil

26. Events after the balance sheet date

There are no material events that have occurred after the balance sheet date.

27. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the consolidated financial statements amounts to £8,679,000 as at 31 December 2022 (31 December 2021: £8,086,000), in respect of the acquisition of property, plant and equipment, primarily related to the Group's planned test stand expansion.

28. Related party transactions

As at 31 December 2022 the Group's related parties were its Directors and RFC Power Ltd. Information around key management compensation is set out in Note 6. During the year one Director exercised and retained 7,109 share options under the Company's employee Sharesave scheme and one Director exercised and sold 14,218 share options under the Company's employee Sharesave scheme. There were no other transactions between the Company and the Directors during the year.

During the year ended 31 December 2021 one Director exercised and retained 8,491 share options under the Company's employee Sharesave scheme. There were no other transactions between the Company and the Directors during the year ended 31 December 2021.

Transactions between the Group and RFC Power Ltd, being an associated entity of the Group, comprised engineering consultancy services provided by the Group to RFC Power for the value of £0.4m (12 months ended 31 December 2021: £0.1m) in return for equity share capital as described in Note 13.

Company balance sheet
as at 31 December 2022

	Note	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000
Fixed assets			
Investments	3	**382,880**	380,996
Current assets			
Debtors: amounts falling due within one year	4	**5,138**	14,892
Cash at bank and in hand	5	**2,074**	468
		7,212	15,360
Creditors: amounts falling due within one year	6	**(2,969)**	(8,309)
Net current assets		**4,243**	7,051
Net assets		**387,123**	388,047
Capital and reserves			
Called-up share capital	8	**19,209**	19,073
Share premium		**405,463**	404,726
Capital redemption reserve	9	**3,449**	3,449
Profit and loss account		**(40,998)**	(39,201)
Shareholders' funds		**387,123**	388,047

The Company made a loss after taxation of £2.8m in the year (2021: £1.3m).

The notes on pages 108 to 111 are an integral part of these Company financial statements.

The financial statements on pages 106 to 111 were approved by the Board of Directors on 23 March 2023 and were signed on its behalf by:

Phil Caldwell
Chief Executive Officer

Eric Lakin
Chief Financial Officer

Ceres Power Holdings plc
Registered Number: 5174075

Company statement of changes in equity

for the year ended 31 December 2022

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2021		17,217	227,682	3,449	(40,502)	207,846
Loss for the financial year		—	—	—	(1,314)	(1,314)
Total comprehensive loss		—	—	—	(1,314)	(1,314)
Transactions with owners						
Issue of shares, net of costs		1,856	177,044	—	—	178,900
Share-based payments charge	8	—	—	—	2,615	2,615
Total transactions with owners	8	1,856	177,044	—	2,615	181,515
At 31 December 2021		19,073	404,726	3,449	(39,201)	388,047
Loss for the financial year		—	—	—	**(2,794)**	**(2,794)**
Total comprehensive loss		—	—	—	**(2,794)**	**(2,794)**
Transactions with owners						
Issue of shares, net of costs	8	**136**	**737**	—	—	**873**
Share-based payments charge	8	—	—	—	**997**	**997**
Total transactions with owners		**136**	**737**	—	**997**	**1,870**
At 31 December 2022		**19,209**	**405,463**	**3,449**	**(40,998)**	**387,123**

The notes on pages 108 to 111 are an integral part of these Company financial statements.

Financial statements

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 408 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 2022, management determined that Ceres Power Limited remains unable to repay any amounts in excess of the carrying value of the loan and therefore the historical provision of £59.3m (2021: £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 2022, this review resulted in management determining that the value-in-use continues to be in excess of its carrying value, and no impairment is therefore required.

2. Loss for the year

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 year ended 31 December 2022 was a loss of £2.8m (12 months ended 31 December 2022: profit of £1.3m), which is stated after charging £54,000 (2021: £66,000) for remuneration receivable by the Company's auditor for the auditing of the financial statements and £150,000 (2021: £134,000) 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 2022 £'000	31 Dec 2021 £'000
Cost		
At 1 January	380,996	199,278
Capital contributions arising from share-based payment charge	1,884	2,614
Additional investment in shares of Ceres Power Intermediate Holdings Ltd	—	179,104
At 31 December	**382,880**	380,996

The Directors have reviewed the investment in its subsidiary for indicators of impairment at the year end, including considering the progress of technical development, funds held and the positive performance of the Group, as well as the Group's market capitalisation. Accordingly, no indicators of impairment were identified and the Directors continue to believe that the recoverable value of the investment exceeds its carrying value.

The Company's investments comprise interests in the following entities:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Company	Type of entity
Ceres Power Ltd	England and Wales	£0.001 ordinary shares	100%[1]	Subsidiary
Ceres Intellectual Property Company Ltd	England and Wales	£1.00 ordinary shares	100%[1]	Subsidiary
Ceres Power Licence Company Ltd	England and Wales	£1.00 ordinary shares	100%	Subsidiary
Ceres Power Intermediate Holdings Ltd	England and Wales	£0.01 ordinary shares	100%[1]	Subsidiary
Ceres Holdings International Ltd	England and Wales	£1.00 ordinary shares	100%[1]	Subsidiary
Ceres Engineering Consulting (Shanghai) Co Ltd	Shanghai, China	£1.00 ordinary shares	100%[2]	Subsidiary
RFC Power Ltd	England and Wales	£0.001 ordinary shares	24.2%[3]	Associate

1. Ceres Power Ltd, Ceres Intellectual Property Company Ltd, Ceres Holdings International Ltd and Ceres Power Licence Company Ltd are 100% held directly by Ceres Power Intermediate Holdings Ltd. Registered address is Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX.
2. 100% held directly by Ceres Power Ltd. Registered address is Office 1903i, Floor 19/F, Tower B, No.1065 West Zhongshan Road, Changning District, Shanghai, China.
3. 24.2% held directly by Ceres Power Intermediate Holdings Ltd. Registered address is Imperial College, White City Incubator Translation and Innovation Hub, London, W12 0BZ.

The principal activity of Ceres Power Ltd is the commercialisation and continued development of the Group's fuel cell and electrochemical 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.

The principal activity of Ceres Power Licence Company Ltd is the provision of overseas licence and royalty services.

On 23 August 2021, the Group established a Wholly Foreign Owned Entity (WFOE), Ceres Engineering Consulting (Shanghai) Co Ltd in Shanghai, China.

The company is a 100% owned subsidiary of Ceres Power Ltd. The principal activity of the company is to provide business development and technical support to our business and partners in China.

3. Fixed asset investments continued

Investment in Group undertakings continued

On 11 November 2021 Ceres Power Intermediate Holdings Ltd acquired an 8.4% shareholding in RFC Power Ltd in exchange for consultancy services performed. RFC Power specialises in developing novel flow battery chemistries for energy storage systems. The shareholding was treated as an investment in associate as the Group determined that the transaction gave the Group significant influence over RFC Power, provided primarily by the share of equity capital and representation on the RFC Power Board. The Group recognised an investment in associate of £0.5m accordingly. At the same time, the Group signed an option agreement providing Ceres with the option to acquire the balance of the outstanding share capital for up to £25m, payable in Ceres shares, exercisable from July to November 2022.

On 6 December 2022, the Group signed revised equity and option agreements with RFC Power to (i) increase the Group's shareholding in RFC Power to 24.2% in return for a payment of £1m cash made on 6 December 2022 and for the provision of further consultancy services commencing in December 2022 through to mid-2023 for a value of £1m (to be made up in cash where the value of services does not meet the £1m), and (ii) defer the exercisable period whereby Ceres has the option to acquire all the remaining share capital of RFC Power from between May 2022 and November 2022, to between 1 January 2024 and 30 April 2024 but for the same exercise price.

The contribution of £2m has been treated as an additional cost of investment in the associate, increasing the cost of the investment to £2.5m at 31 December 2022 (31 December 2021: £0.5m). The value of the option continues to be determined to be £nil (31 December 2021: £nil).

The results of Ceres Power Ltd, Ceres Intellectual Property Company Ltd, Ceres Power Intermediate Holdings Ltd, Ceres Holdings International Ltd, Ceres Engineering Consulting (Shanghai) Co Ltd and Ceres Power Licence Company Ltd are included within these consolidated financial statements. The Group's share of the results of RFC Power Ltd are included within these consolidated financial statements by applying the equity method of accounting, as set out in Note 1. The Group's share of RFC's results since acquiring the shareholding is not material and has therefore not been disclosed separately.

On 9 February 2022, the Group announced the intention to collaborate with Weichai and Bosch to access the substantial opportunities that exist for fuel cell technologies in the Chinese market. This is likely to include a three-way collaboration to form a system JV in Shandong province in China to develop and manufacture SOFC system products, with Weichai being the majority shareholder and Bosch and Ceres minority shareholders. Ceres is expected to take up a holding of 10%. Detailed non-binding Heads of Terms have been signed by all parties and full contracts are expected to be agreed during 2023.

On 15 August 2022, the Group established a new international holding company, Ceres Holdings International Ltd. This company is a 100% owned subsidiary of Ceres Power Intermediate Holdings Ltd and is currently dormant.

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 2022 £'000	31 Dec 2021 £'000
Other debtors	24	97
Prepayments and accrued income	21	23
Amounts owed by Group undertakings	5,093	14,772
	5,138	14,892

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 2022, a loss allowance of £59,316,000 (31 December 2021: £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 2022, amounts owed by Ceres Power Ltd to the Company of £60,676,000 (31 December 2021: £60,676,000) 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 2022 £'000	31 Dec 2021 £'000
Trade creditors	—	23
Other creditors	8	71
Accruals	324	221
Amounts owed to Group undertakings	2,637	7,994
	2,969	8,309

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 2022 £'000	31 Dec 2021 £'000
Tax effect of timing differences because of:		
Short-term timing differences	(5)	(5)
Losses carried forward	(1,751)	(1,688)
	(1,756)	(1,693)

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 gross amount of losses carried forward as at 31 December 2022 was £7.0m (31 December 2021: £6.8m), which do not have an expiry date.

8. Called-up share capital

	31 Dec 2022 £'000		31 Dec 2021 £'000	
	Number of £0.10 ordinary shares	£'000	Number of £0.10 ordinary shares	£'000
Allotted and fully paid:				
Ordinary shares at 31 December	192,086,775	19,209	190,729,638	19,073

Details of shares issued in the period are provided in Note 23 to the Group financial statements. Details of share options are disclosed in Note 25 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 59.

Directors and advisers

Directors of Ceres Power Holdings plc

- Trine Borum Bojsen (Non-Executive Director)
- Tudor Brown (Non-Executive Director)
- Phil Caldwell (Chief Executive Officer)
- Steve Callaghan (Senior Independent Director)
- Warren Finegold (Chairman)
- Uwe Glock (Non-Executive Director)
- Qinggui Hao (Non-Executive Director)
- Aidan Hughes (Non-Executive Director)
- Professor Dame Julia King (Non-Executive Director)
- Eric Lakin (Chief Financial Officer)

Registered number

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Company Secretary

Deborah Grimason

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