

22 September 2022

**Ceres Power Holdings plc**

**Interim results for the six months ended 30 June 2022**

**Continuing investment to enable multi-gigawatt manufacturing capacity globally**

*Horsham, UK:* Ceres Power Holdings plc (“Ceres”, the “Company”) (AIM: CWR.L), a global leader in fuel cell and electrochemical technology, announces its interim results for the six months ended 30 June 2022.

**Financial update**

- Revenue and other operating income £9.9 million (H1 2021: £17.4 million)
- Gross profit of £5.3 million (H1 2021: £12.2 million) with gross margin at 55% (H1 2021: 72%)
- Cash and investments of £221.6 million as at 30 June 2022 (31 December 2021: £249.6 million)
- Increased investment in research and development by 46% including electrolysis technology for green hydrogen

**Operational update**

- Heads of Terms signed with Weichai and Bosch to establish a third manufacturing facility for Ceres’ solid oxide fuel cell (SOFC) technology in China, worth £30 million to Ceres in near term license fees plus future royalties
- Partnership established with Shell to utilise solid oxide electrolyser cell (SOEC) technology to deliver high-efficiency, low-cost green hydrogen
- Strong progress on the SOEC development programme with first electrolyser cell module (ECM) on test
- Continued expansion of Ceres’ highly skilled workforce to 523 employees at 30 June 2022 (31 December 2021: 489) including the arrival of Eric Lakin as Chief Financial Officer and Deborah Grimason as General Counsel and Company Secretary

**Current trading and outlook**

- Signature of definitive China joint venture agreements is expected in Q4 this year. Establishment of the JV entities will follow regulatory approvals in China and Europe, which are anticipated in early 2023
- Most of the £30 million licence fee revenue associated with the China JVs will be recognised on establishment of the new JV entities in early 2023, whereas we had previously expected to recognise around half of these fees in 2022. Based on this expected timing of JV signing and regulatory clearances, it is now expected that revenue in the second half of 2022 will be at similar levels to those in the first half, leading to full-year 2022 revenue lower than 2021 levels
- Correspondingly, H1 2023 revenue is expected to be at significantly higher levels based on the expected recognition of most of the £30 million licence fee revenue on establishment of the JV entities in early 2023
- In July, the stationary SOFC system being developed by our partner Bosch was approved by the European Commission as one of the first Important Projects of Common European Interest (IPCEI) aimed at developing an integrated hydrogen economy in Europe, and is now eligible for state funding
- In August, Doosan Fuel Cell (“Doosan”) raised further capital confirming that half of the KRW70 billion (GBP 44 million) would be used to build its plant in South Korea for the mass production of Ceres’ SOFCs in 2024, to meet the rising demand from the hydrogen-energy market
- The Board remains committed to transition from the AIM market to the Premium listing segment of the Main Market of the London Stock Exchange, which is expected to follow signing of the China JV agreements.

**Phil Caldwell, Chief Executive Officer of Ceres, said:**

*“Energy security and the transition to cleaner energy have never been so important to the way we live. Ceres’ role as a leading developer of clean energy technology, enabling companies to decarbonise at scale and pace, means we are well-positioned to play our part.”*

*“The China joint ventures represent an important milestone in our ambitions for Ceres’ technology, not only in its mass deployment in systems and products for the significant Chinese market, but also accelerating the delivery of global manufacturing capacity.”*

*“We are also growing the opportunity for Ceres with the investment in SOEC for green hydrogen and our first commercial opportunity for SOEC was announced in our partnership with Shell. These are steps towards our aim of establishing multiple mass manufacturing facilities and generating significant royalty revenue with multi-gigawatts of Ceres technology in production.”*

<b>Financial Summary:</b>	<b>Six months ended 30 June 2022 Unaudited £'000</b>	<b>Six months ended 30 June 2021 Unaudited £'000</b>	<b>12 months ended 31 December 2021 Audited £'000</b>
<b>Total revenue and other operating income, comprising:</b>	<b>9,854</b>	<b>17,436</b>	<b>31,700</b>
Licence fees	3,404	10,682	16,646
Engineering services revenue	4,206	2,669	6,777
Provision of technology hardware	2,077	3,759	7,353
Other operating income	167	326	924
<b>Gross margin %</b>	<b>55%</b>	<b>72%</b>	<b>66%</b>
Adjusted EBITDA loss <sup>1</sup> – Power SOFC <sup>2</sup>	(10,216)	(371)	(4,492)
Adjusted EBITDA loss <sup>1</sup> – Hydrogen SOEC <sup>2</sup>	(10,279)	(4,144)	(12,183)
<b>Adjusted EBITDA loss<sup>1</sup> – total Group</b>	<b>(20,495)</b>	<b>(4,515)</b>	<b>(16,675)</b>
Operating loss	(25,203)	(7,602)	(23,430)
Net cash used in operating activities	(20,599)	(13,170)	(20,342)
Net cash and investments	221,625	262,889	249,584

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

2. Adjusted EBITDA by segment is reconciled to operating loss in Note 3.

#### **Analyst presentation**

Ceres Power Holdings plc will be hosting a live webcast for analysts and investors on 22 September 2022 at 09.30 BST. To register your interest in participating, please go to: <https://www.investormeetcompany.com/ceres-power-holdings-plc/register-investor>.

#### **For further information visit [www.ceres.tech](http://www.ceres.tech) or contact:**

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#### **About Ceres Power**

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

## Chief Executive's Statement

Ceres' purpose is to develop the technologies that the world needs to decarbonise and bring them to market at the scale and pace needed to help global energy systems transition to a net zero carbon future.

We are proud to be a British business that exports technology globally through collaborations with some of the world's most progressive companies building manufacturing facilities in Germany, South Korea and now a third planned factory in China. Our aim is to enable multi-gigawatts of capacity producing hydrogen and fuel cell technologies to decarbonise the hard-to-abate sectors of the energy system and in the process build a sustainable business that delivers long-term benefits for our people and shareholders, our communities, and our planet.

I am pleased to report that in the first half of 2022 we have continued to invest capital focused on scaling our technology for use in multiple applications and geographies. We have accelerated the development of our fuel cell business (SOFC) with global partners, enabling major expansion of our electrolysis activities (SOEC) by signing a new partner in Shell, and strengthening the management and wider Ceres team to address the substantial market opportunities that exist for our clean energy technology.

The Group reported revenues and other income of £9.9 million for the first six months of 2022 (H1 2021: £17.4 million), all related to the fuel cell business. The decrease when compared with the prior period primarily reflects the significant licence revenue recognised in H1 2021 on our contract with Doosan and accordingly gross margins reduced to 55% (H1 2021: 72%), also impacted by the higher proportion of licence fee revenue recognised in the prior period. As we have stated in previous results announcements, gross margin percentage will vary period on period based on timing and quantum of licence revenue recognition within the overall revenue mix.

As noted in our recent Trading Update, the phasing of revenue in 2022 and early 2023 is highly sensitive to the timing of the establishment of the China JVs, where Ceres, Bosch and Weichai are making good progress towards definitive agreements. The collaboration represents an important milestone in Ceres' ambitions for the Chinese market and it is a critical part of delivering global manufacturing capacity for our technology, with the potential to establish one of the strongest partnerships in the global fuel cell industry. We are confident that the JV agreements will be signed in Q4 but because of the various approvals required before the JVs themselves can be established, it is therefore expected that initial licence fee revenue recognition will be in the first half of 2023.

The world around us continues to transition towards a sustainable green economy, driving increasing demand for clean energy technologies. The current geopolitical instability in Europe has only served to push energy security firmly up the political agenda and the rising costs of fossil fuels is adding another tailwind to the urgency for decarbonisation of our energy system.

In July, the stationary power SOFC system being developed by our partner Bosch was approved by the European Commission as one of the first Important Projects of Common European Interest (IPCEI) aimed at developing an integrated hydrogen economy in Europe. Bosch's SOFC programme is now eligible for state funding on the basis of this approval under state aid law aimed at strengthening innovative capacity, global competitiveness and creating new jobs in Germany. In Germany, more than eight billion euros in funding is available for the development of hydrogen and other green technologies.

In South Korea, the market has received a further boost from a new Clean Hydrogen Portfolio Standards bill that passed in May 2022, stipulating that a certain percentage of electricity provided by electric companies must be produced from hydrogen. The existing portfolio standard has also been amended so that by 2026, 25% of energy supplied in South Korea must derive from renewable energy, with incremental increases every year thereafter.

Over the summer, President Biden signed into law the Inflation Reduction Act, which includes \$369 billion of funding over 10 years to promote the transition to cleaner energy. The largest investment commitment in clean energy in US history, it includes various elements that specifically support hydrogen and fuel cell businesses including tax credits for green hydrogen, credits for renewable energy and biogas production, and financial support for companies demonstrating technologies that can help decarbonise heavy industry, agriculture, and shipping. These are all areas of the energy system where Ceres' technology can play an important role, and we have seen an increase in enquiries from the US and continue to explore opportunities with potential US partners.

## **Ceres Power – fuel cells**

Ceres has established a leading position in solid oxide fuel cell technology that is being demonstrated in several applications through global partners. Our focus now is meeting growing demand for higher-power systems and broadening applications for use in hard-to-decarbonise sectors such as marine.

All revenues in the first half of the year are derived from the SOFC part of the business. This recorded a gross profit of £5.3 million (H1 2021: £12.2 million), reflecting lower revenue following the significant revenue recognised on the Doosan contract in the comparative period, and an increase in adjusted EBITDA loss to £10.2 million (H1 2021: £0.4 million). Investment in research and development for SOFC increased by 26% to £13.2 million (H1 2021: £10.5 million).

We continued to accelerate investment in the first half of the year in areas such as research and development, capability of our CP2 pilot production facility, and test stand capacity including signing and outsource agreement with Horiba Mira. In line with our strategy, there will be continued investment in SOFC to support future expansion. 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 each period, until royalty revenue streams become material.

Our partners Bosch and Doosan are both targeting 2024 for the scale up of manufacturing capabilities to 200MW and 50MW of SOFC capacity, respectively. In August, Doosan raised approximately £44 million and confirmed that half would be used to build a new plant in South Korea for the mass production of solid oxide fuel cells to meet the rising demand from the hydrogen-energy market.

The three-way collaboration in China with Weichai and Bosch would represent our third manufacturing location following Germany and South Korea, and another major step towards enabling multi-gigawatt capacity of our technology globally.

## **Ceres Hydrogen – electrolysis**

In SOEC, we are now investing in a potentially even larger addressable market for electrolysis through a differentiated offering for hydrogen with distinct advantages in efficiency, coupling with industrial processes that are high emitters of carbon dioxide today. Our SOEC business showed an adjusted EBITDA loss of £10.3 million (H1 2021: £4.1 million), reflecting increased research and development activities, including the initial costs of producing our first 1MW demonstration unit. Investment in research and development for the SOEC segment increased by 100% to £7.8 million (H1 2021: £3.9 million).

Ceres has committed £100 million for the further development of its SOEC technology – with the aim of producing highly efficient, low-cost green hydrogen. According to BloombergNEF's recent report, *"Ukraine War Makes Green Hydrogen Competitive"*, grey hydrogen produced from fossil fuels has reached a levelised cost of \$6.71/kg in the EMEA compared to \$4.84-6.68/kg for green hydrogen – nearly removing the premium for newer, cleaner technologies. The International Energy Agency estimates the capacity of electrolyzers needed by 2050 at 3,585GW, compared to cumulative installations today of just 1GW. It is no longer a question of credibility of the technology, but more a question about the scale and pace of deployment.

Ceres aims to produce hydrogen at efficiencies around 20% greater than other technologies, in the range of 85 – 90% where it is possible to make use of waste heat in industrial processes to drive this higher efficiency. We are making progress with our SOEC development programme and have our first Electrolyser Cell Module (ECM) on test. We are making good progress on the "first-of-a-kind" system build and will integrate the ECMs into the container system to start testing in the early part of 2023.

In June 2022, we signed an agreement with Shell to deliver a megawatt scale SOEC demonstrator in 2023. The system will be installed at Shell's research and development technology centre in Bangalore, India, where the hydrogen will be used in industrial processes on site. The testing programme is intended to run for at least three years, forming the first stage of a collaborative relationship. Shell and Ceres are building this partnership to

utilise SOEC technology to deliver high-efficiency, low-cost green hydrogen; now widely viewed as a credible route to decarbonise hard-to-abate parts of the energy system that rely on fossil fuels today.

### **Focused investment for the future**

The underlying theme across both segments of the business for the first six months of 2022 continues to be investing to drive innovation and future mass market uptake for these technologies. Consistent with the capital raise in 2021, the investments we are making include both capital investments and investment in strategic resources in both SOFC and SOEC capabilities. Overall, our employee base grew as planned, with 523 people employed as at 30 June 2022 compared to 489 people as at 31 December 2021. Research and development costs increased by 46% to £21.0 million compared to H1 2021 largely due to the additional investment in SOEC.

Capitalised development costs in the period, which only relate to ongoing SOFC development, increased to £2.9 million compared to £1.6 million for H1 2021 and we have capitalised a net £10.9 million to date (31 December 2021: £8.5 million). Amortisation of this to the income statement was consistent with the prior period, with a charge of £0.5 million recorded (H1 2021: £0.6 million).

As planned, we have continued the expansion of our test capability to support demand from our partners, and to cater for additional market opportunities including SOEC and SOFC applications such as marine and alternative fuels. We have also invested in expanding our manufacturing capacity for prototypes and demonstrators for both SOFC and SOEC products. As a result, our investment in property, plant and equipment increased to £5.5 million in H1 2022 (H1 2021: £3.6 million) and depreciation charged increased to £2.6 million, compared to £1.9 million in H1 2021. We expect this capital investment to accelerate in the second half of 2022.

Overall, this focused “investment in the future” (R&D costs, capitalised development and capital expenditure) increased by 56% to £25.7 million (H1 2021: £16.5 million). The £25.7 million comprises £17.3 million (H1 2021: £11.3 million) in R&D (excluding depreciation, amortisation and share-based payments), £5.5 million (H1 2021: £3.6 million) in capital expenditure and £2.9 million (H1 2021: £1.6 million) in capitalised development.

As a result of these investments and increased amortisation and depreciation, the Group reported an increased operating loss of £25.2 million in H1 2022, up from a loss of £7.6 million in H1 2021.

### **Strong financial position: the foundation for continued development and growth**

The Group ended the period with a strong cash position of £221.6 million in cash and investments as at 30 June 2022 (31 December 2021: £249.6 million), with the decrease since 31 December 2021 reflecting the investment in the period and is in line with our plans to invest for future growth following last year’s capital raise.

Equity free cash outflow (defined and reconciled to net cash from operating activities at the end of this report) was £28.6 million (H1 2021: £18.7 million), being driven by net cash used in operating activities of £20.6 million (H1 2021: £13.2 million) reflecting the Group’s operating loss in the period, capital expenditure of £5.5 million (H1 2021: £3.6 million), capitalised development of £2.9 million (H1 2021: £1.6 million) with the balance from interest payments and exchange rate movements. Movements in working capital included a £4.0 million increase in inventories (H1 2021: £0.9 million) primarily reflecting a higher balance of fuel cell stacks being held at the period end to satisfy customer demand for our technology hardware.

Order Backlog (combining what was previously described as “Order book” and “Pipeline”) as at 30 June 2022 was £76.2 million (31 December 2021: £79.8 million).

### **Board and Management Changes**

In early 2022 we strengthened our management team with the arrival of Eric Lakin as Chief Financial Officer and Deborah Grimason as General Counsel and Company Secretary. Both bring fresh perspective to our existing, talented team and important experience from much larger listed businesses as we look to transition from the AIM listing to the Premium listing segment of the Main Market of the London Stock Exchange, which is expected to follow the signing of the China joint venture agreements.

On the Board, we welcomed Trine Borum Bojsen as Non-executive Director who brings over 25 years of experience from the renewable energy space. Trine joins another of our Board Directors Julia King, Baroness Brown of Cambridge, in supporting the ESG Committee as an adviser.

### **Strategic update**

Ceres is a technology business, and our purpose is to develop the technologies that the world needs to decarbonise and bring them to market at the scale and pace needed to help global energy systems transition to a net zero carbon future. We are making good progress in enabling scale production of our technology globally with partners building manufacturing facilities in Germany, South Korea and now a third planned factory in China. Our investment in SOEC for green hydrogen and continued growth in SOFC for power systems enables us to significantly increase the addressable market for our technology and significantly grow the value of the business through future licenses and royalties. Our aim is to enable multi-gigawatts of electrolysis and fuel cell technologies to decarbonise the hard-to-abate sectors of the energy system and in the process to build a sustainable business that delivers long-term benefits for our people, shareholders, communities, and our planet.

### **Outlook**

As explained in the “Current trading and outlook” section above, the expected timing of the recognition of the up-front licence fee revenue in relation to the establishment of the China JVs means that revenue in the second half of 2022 is expected to be at similar levels to the first half. However, we expect strong revenue growth in 2023 as most of the £30 million licence fee revenue would be recognised on establishment of the JVs. We will continue to make use of our strong financial position in order to make targeted investments in SOFC and SOEC capability in line with our plans to grow the business and support the significant future demand for leading fuel cell and electrolysis clean energy technology.

### **Philip Caldwell**

Chief Executive Officer

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the six months ended 30 June 2022**

	Note	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 Audited £'000
<b>Revenue</b>	2	9,687	17,110	30,776
Cost of sales		(4,342)	(4,866)	(10,427)
<b>Gross profit</b>		<b>5,345</b>	<b>12,244</b>	<b>20,349</b>
Other operating income <sup>1</sup>		167	326	924
Operating costs	4	(30,715)	(20,172)	(44,703)
<b>Operating loss</b>		<b>(25,203)</b>	<b>(7,602)</b>	<b>(23,430)</b>
Finance income	5	1,153	243	438
Finance expense	5	(143)	(352)	(380)
<b>Loss before taxation</b>		<b>(24,193)</b>	<b>(7,711)</b>	<b>(23,372)</b>
Taxation credit	6	896	1,166	1,970
<b>Loss for the financial period and total comprehensive loss</b>		<b>(23,297)</b>	<b>(6,545)</b>	<b>(21,402)</b>
<b>Loss per £0.10 ordinary share expressed in pence per share:</b>				
Basic and diluted loss per share	7	(12.20)p	(3.62)p	(11.53)p

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

<sup>1</sup> Other operating income relates to grant income.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2022**

		<b>30 June 2022</b>	<b>30 June 2021</b>	<b>31 December 2021</b>
	<b>Note</b>	<b>Unaudited £'000</b>	<b>Unaudited £'000</b>	<b>Audited £'000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	21,092	16,688	18,141
Right-of-use assets	9	2,167	2,714	2,438
Intangible assets	10	10,882	5,939	8,478
Long-term investments	14	—	2,000	5,000
Investment in associate		460	—	500
Other receivables	12	741	741	741
<b>Total non-current assets</b>		<b>35,342</b>	<b>28,082</b>	<b>35,298</b>
<b>Current assets</b>				
Inventories	11	7,149	2,988	3,145
Contract assets	2	5,314	5,626	7,331
Other current assets	13	1,024	975	1,133
Derivative financial instruments	17	703	845	1,073
Current tax receivable		4,416	4,659	3,531
Trade and other receivables	12	8,154	7,159	4,865
Short-term investments	14	114,177	95,733	93,129
Cash and cash equivalents	14	107,448	165,156	151,455
<b>Total current assets</b>		<b>248,385</b>	<b>283,141</b>	<b>265,662</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	15	(4,857)	(2,502)	(2,783)
Contract liabilities	2	(5,004)	(3,773)	(4,290)
Other current liabilities	16	(7,660)	(3,959)	(5,818)
Derivative financial instruments	17	(5)	—	—
Lease liabilities	18	(655)	(622)	(754)
Provisions	19	(1,495)	(1,112)	(1,579)
<b>Total current liabilities</b>		<b>(19,676)</b>	<b>(11,968)</b>	<b>(15,224)</b>
<b>Net current assets</b>		<b>228,709</b>	<b>271,173</b>	<b>250,438</b>
<b>Non-current liabilities</b>				
Lease liabilities	18	(1,971)	(2,616)	(2,285)
Provisions	19	(1,910)	(1,642)	(1,828)
<b>Total non-current liabilities</b>		<b>(3,881)</b>	<b>(4,258)</b>	<b>(4,113)</b>
<b>Net assets</b>		<b>260,170</b>	<b>294,997</b>	<b>281,623</b>
<b>Equity attributable to the owners of the parent</b>				
Share capital	20	19,157	19,041	19,073
Share premium		405,272	404,788	404,726
Capital redemption reserve		3,449	3,449	3,449
Merger reserve		7,463	7,463	7,463
Accumulated losses		(175,171)	(139,744)	(153,088)
<b>Total equity</b>		<b>260,170</b>	<b>294,997</b>	<b>281,623</b>

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



**CONSOLIDATED CASH FLOW STATEMENT**  
**For the six months ended 30 June 2022**

	6 months ended 30 June 2022	6 months ended 30 June 2021	12 months ended 31 December 2021
Note	Unaudited £'000	Unaudited £'000	Audited £'000
<b>Cash flows from operating activities</b>			
<b>Loss before taxation</b>	(24,193)	(7,711)	(23,372)
<b>Adjustments for:</b>			
Finance income	(1,153)	(243)	(438)
Finance expense	143	352	380
Depreciation of property, plant and equipment	2,578	1,930	4,215
Depreciation of right-of-use assets	271	265	541
Amortisation of intangible assets	542	556	1,004
Net foreign exchange losses/(gains)	153	63	(563)
Net change in fair value of financial instruments	375	(829)	(1,057)
Share-based payments charge	1,214	1,102	2,615
<b>Operating cash flows before movements in working capital</b>	<b>(20,070)</b>	<b>(4,515)</b>	<b>(16,675)</b>
(Increase)/decrease in trade and other receivables	(3,117)	(1,944)	22
Increase in inventories	(4,004)	(881)	(1,038)
Increase in trade and other payables	3,900	2,164	2,832
Decrease/(increase) in contract assets	2,017	(4,762)	(6,467)
Increase/(decrease) in contract liabilities	714	(3,732)	(3,215)
(Decrease)/increase in provisions	(39)	500	1,121
<b>Net cash used in operations</b>	<b>(20,599)</b>	<b>(13,170)</b>	<b>(23,420)</b>
Taxation received	—	—	3,078
<b>Net cash used in operating activities</b>	<b>(20,599)</b>	<b>(13,170)</b>	<b>(20,342)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(5,529)	(3,639)	(7,377)
Capitalised development expenditure	(2,946)	(1,586)	(4,573)
Repayment of long-term investments	5,000	6,000	3,000
Acquisition of short-term investments	(70,998)	(52,502)	(62,898)
Repayment of short-term investments	49,950	26,000	39,000
Finance income received	730	243	438
<b>Net cash used in investing activities</b>	<b>(23,793)</b>	<b>(25,484)</b>	<b>(32,410)</b>
<b>Financing activities</b>			
Proceeds from issuance of ordinary shares	630	181,502	181,472
Net expenses from issuance of ordinary shares	—	(2,572)	(2,572)
Cash paid on behalf of employees on the sale of share options	—	(7,490)	(7,490)
Repayment of lease liabilities	(413)	(207)	(405)
Interest paid	(103)	(315)	(316)
<b>Net cash generated from financing activities</b>	<b>114</b>	<b>170,918</b>	<b>170,689</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(44,278)</b>	<b>132,264</b>	<b>117,937</b>
Exchange gains/(losses) on cash and cash equivalents	271	(63)	563
Cash and cash equivalents at beginning of period	151,455	32,955	32,955
<b>Cash and cash equivalents at end of period</b>	<b>107,448</b>	<b>165,156</b>	<b>151,455</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30 June 2022**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
<b>At 1 January 2021 (audited)</b>	<b>17,217</b>	<b>227,682</b>	<b>3,449</b>	<b>7,463</b>	<b>(134,301)</b>	<b>121,510</b>
<b>Comprehensive income</b>						
Loss for the financial year	—	—	—	—	(21,402)	(21,402)
<b>Total comprehensive loss</b>					<b>(21,402)</b>	<b>(21,402)</b>
<b>Transactions with owners</b>						
Issue of shares, net of costs	1,856	177,044	—	—	—	178,900
Share-based payments charge	—	—	—	—	2,615	2,615
<b>Total transactions with owners</b>	<b>1,856</b>	<b>177,044</b>	<b>—</b>	<b>—</b>	<b>2,615</b>	<b>181,515</b>
<b>At 31 December 2021 (audited)</b>	<b>19,073</b>	<b>404,726</b>	<b>3,449</b>	<b>7,463</b>	<b>(153,088)</b>	<b>281,623</b>
<b>Comprehensive income</b>						
Loss for the financial period	—	—	—	—	(23,297)	(23,297)
<b>Total comprehensive loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(23,297)</b>	<b>(23,297)</b>
<b>Transactions with owners</b>						
Issue of shares, net of costs	84	546	—	—	—	630
Share-based payments charge	—	—	—	—	1,214	1,214
<b>Total transactions with owners</b>	<b>84</b>	<b>546</b>	<b>—</b>	<b>—</b>	<b>1,214</b>	<b>1,844</b>
<b>At 30 June 2022 (Unaudited)</b>	<b>19,157</b>	<b>405,272</b>	<b>3,449</b>	<b>7,463</b>	<b>(175,171)</b>	<b>260,170</b>

Comparatives for the six months ended 30 June 2021 are provided separately below:

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
<b>At 1 January 2021 (audited)</b>	<b>17,217</b>	<b>227,682</b>	<b>3,449</b>	<b>7,463</b>	<b>(134,301)</b>	<b>121,510</b>
<b>Comprehensive income</b>						
Loss for the financial period	—	—	—	—	(6,545)	(6,545)
<b>Total comprehensive loss</b>					<b>(6,545)</b>	<b>(6,545)</b>
<b>Transactions with owners</b>						
Issue of shares, net of costs	1,824	177,106	—	—	—	178,930
Share-based payments charge	—	—	—	—	1,102	1,102
<b>Total transactions with owners</b>	<b>1,824</b>	<b>177,106</b>	<b>—</b>	<b>—</b>	<b>1,102</b>	<b>180,032</b>
<b>At 30 June 2021 (unaudited)</b>	<b>19,041</b>	<b>404,788</b>	<b>3,449</b>	<b>7,463</b>	<b>(139,744)</b>	<b>294,997</b>

### **1. Basis of preparation**

The interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2021 which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The interim financial statements have been prepared on a historical cost basis except that derivative financial instruments, which are stated at their fair value.

The interim financial information has been prepared in accordance with the recognition and measurement requirements of UK adopted international accounting standards and applicable law and regulations. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as were applied in the Group's latest annual audited financial statements. While the financial figures included in this half-yearly report have been computed in accordance with international accounting standards applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

The financial information contained in the interim financial statements is unaudited and does not constitute statutory financial statements as defined by in Section 434 of the Companies Act 2006. The financial statements for the year ended 31 December 2021, on which the auditors gave an unqualified audit opinion, and did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, have been filed with the Registrar of Companies.

The consolidated interim financial information for the six months ended 30 June 2022 has been reviewed by the Company's Auditor, BDO LLP in accordance with International Standard of Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

### **Going Concern**

The Group has reported a loss after tax for the six months period ended 30 June 2022 of £23.3m (six months ended 30 June 2021: £6.5m) and net cash used in operating activities of £20.6m (six months ended 30 June 2021: £13.2m). At 30 June 2022, the Group held cash and cash equivalents and investments of £221.6m (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. These projections include management's expectations of the cash flows associated with the Group's future 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 and continued adverse macroeconomic factors. In each case the projections demonstrated that the Group would have sufficient cash reserves to meet its liabilities as they fall due and to continue as a going concern. For the above reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

### **Critical accounting judgements and key sources of estimation uncertainty**

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

In preparing the interim consolidated financial statements, the areas where judgement has been exercised remain consistent with those applied to the annual report and accounts for the year ended 31 December 2021.

### **New standards and amendments applicable for the reporting period**

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

Notes to the financial statements for the six months ended 30 June 2022 (continued)

**2. Revenue**

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

**Geographical market**

	<b>6 months ended 30 June 2022 Unaudited £'000</b>	<b>6 months ended 30 June 2021 Unaudited £'000</b>	<b>12 months ended 31 December 2021 Audited £'000</b>
Europe	4,051	3,855	7,676
Asia	5,404	12,995	22,748
North America	211	20	109
Rest of World	21	240	243
	<b>9,687</b>	<b>17,110</b>	<b>30,776</b>

For the six months ended 30 June 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 44% and 39% of the Group's total revenue recognised in the period (6 months ended 30 June 2021: two major customers that accounted for approximately 65% and 23% of the Group's total revenue for that period and 12 months ended 31 December 2021: three major customers that accounted for approximately 59%, 25% and 11% of the Group's total revenue recognised for that year).

**Major product/service lines**

	<b>6 months ended 30 June 2022 Unaudited £'000</b>	<b>6 months ended 30 June 2021 Unaudited £'000</b>	<b>12 months ended 31 December 2021 Audited £'000</b>
Engineering services	4,206	2,669	6,777
Provision of technology hardware	2,077	3,759	7,353
Licenses	3,404	10,682	16,646
	<b>9,687</b>	<b>17,110</b>	<b>30,776</b>

**Timing of transfer of goods and services**

	<b>6 months ended 30 June 2022 Unaudited £'000</b>	<b>6 months ended 30 June 2021 Unaudited £'000</b>	<b>12 months ended 31 December 2021 Audited £'000</b>
Products and services transferred at a point in time	1,887	11,732	15,326
Products and services transferred over time	7,800	5,378	15,450
	<b>9,687</b>	<b>17,110</b>	<b>30,776</b>

Notes to the financial statements for the six months ended 30 June 2022 (continued)

2. Revenue (continued)

Amounts transferred at a point in time during the prior periods included the recognition of significant license income in the first half of 2021 related to a major contract.

The contract-related assets and liabilities are as follows:

		30 June 2022 Unaudited £'000	30 June 2021 Unaudited £'000	31 December 2021 Audited £'000
Trade receivables	12	4,651	3,618	2,612
Contract assets – accrued income		5,314	5,626	7,010
Contract assets – deferred costs		–	–	321
Total contract assets		5,314	5,626	7,331
Contract liabilities – deferred income		(5,004)	(3,773)	(4,290)

3. Segmental analysis

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

Six months ended 30 June 2022 (Unaudited)	Power - SOFC £'000	Hydrogen - SOEC £'000	Consolidated £'000
<b>Revenue (external)</b>	9,687	–	9,687
Cost of sales	(4,342)	–	(4,342)
<b>Gross profit</b>	5,345	–	5,345
Other operating income	167	–	167
Operating costs (excluding adjusting items)	(15,728)	(10,279)	(26,007)
<b>Adjusted EBITDA<sup>1</sup></b>	(10,216)	(10,279)	(20,495)
<i>Adjusting items:</i>			
<i>Depreciation &amp; amortisation</i>			(3,391)
<i>Share-based payment charge</i>			(1,214)
<i>Unrealised foreign exchange losses</i>			271
<i>Fair value adjustment</i>			(374)
<b>Operating loss</b>			(25,203)
Finance income			1,153
Finance expense			(143)
<b>Loss before taxation</b>			(24,193)
Taxation credit			896
<b>Loss for the financial period</b>			(23,297)

Notes to the financial statements for the six months ended 30 June 2022 (continued)

3. Segmental analysis (continued)

Six months ended 30 June 2021 (unaudited)	Power - SOFC £'000	Hydrogen - SOEC £'000	Consolidated £'000
<b>Revenue (external)</b>	17,110	—	17,110
Cost of sales	(4,866)	—	(4,866)
<b>Gross profit</b>	<b>12,244</b>	—	<b>12,244</b>
Other operating income	326	—	326
Operating costs (excluding adjusting items)	(12,941)	(4,144)	(17,085)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>(371)</b>	<b>(4,144)</b>	<b>(4,515)</b>
<i>Adjusting items:</i>			
<i>Depreciation &amp; amortisation</i>			(2,751)
<i>Share-based payment charge</i>			(1,102)
<i>Unrealised foreign exchange losses</i>			(63)
<i>Fair value adjustment</i>			829
<b>Operating loss</b>			<b>(7,602)</b>
Finance income			243
Finance expense			(352)
<b>Loss before taxation</b>			<b>(7,711)</b>
Taxation credit			1,166
<b>Loss for the financial period</b>			<b>(6,545)</b>

12 months ended 31 December 2021 (audited)	Power - SOFC £'000	Hydrogen - SOEC £'000	Consolidated £'000
<b>Revenue (external)</b>	30,776	—	30,776
Cost of sales	(10,427)	—	(10,427)
<b>Gross profit</b>	<b>20,349</b>	—	<b>20,349</b>
Other operating income	924	—	924
Operating costs (excluding adjusting items)	(25,765)	(12,183)	(37,948)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>(4,492)</b>	<b>(12,183)</b>	<b>(16,675)</b>
<i>Adjusting items:</i>			
<i>Depreciation &amp; amortisation</i>			(5,760)
<i>Share-based payment charge</i>			(2,615)
<i>Unrealised foreign exchange losses</i>			563
<i>Fair value adjustment</i>			1,057
<b>Operating loss</b>			<b>(23,430)</b>
Finance income			438
Finance expense			(380)
<b>Loss before taxation</b>			<b>(23,372)</b>
Taxation credit			1,970
<b>Loss for the financial period</b>			<b>(21,402)</b>

<sup>1</sup>Adjusted EBITDA is an alternative performance measure, as defined at the end of this report.

Notes to the financial statements for the six months ended 30 June 2022 (continued)

4. Operating costs

Operating costs can be analysed as follows:

	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 Audited £'000
Research and development costs	20,997	14,402	31,290
Administrative expenses	7,695	4,775	11,245
Commercial	2,023	995	2,168
	<u>30,715</u>	<u>20,172</u>	<u>44,703</u>

5. Finance income and expenses

	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 Audited £'000
Interest received	730	243	438
Foreign exchange gain on cash, cash equivalents and short-term deposits	423	—	—
Finance income	<u>1,153</u>	<u>243</u>	<u>438</u>
Interest on lease liability	(103)	(204)	(316)
Unwinding of discount on provisions	(37)	(32)	(64)
Other finance costs	(3)	(5)	—
Foreign exchange loss on cash, cash equivalents and short-term deposits	—	(111)	—
Interest expense	<u>(143)</u>	<u>(352)</u>	<u>(380)</u>

6. Taxation

No corporation tax liability has arisen during the period (6 months ended 30 June 2021 and 12 months ended 31 December 2021: £nil) due to the losses incurred. A tax credit has arisen as a result of the tax losses being surrendered in respect of research and development expenditure.

	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 Audited £'000
UK corporation tax	(2,022)	(1,535)	(2,917)
Foreign tax suffered	240	369	973
Adjustment in respect of prior periods	886	—	(26)
	<u>(896)</u>	<u>(1,166)</u>	<u>(1,970)</u>

Notes to the financial statements for the six months ended 30 June 2022 (continued)

7. Loss per share

	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 Audited £'000
Loss for the financial period attributable to shareholders	(23,297)	(6,545)	(21,402)
Weighted average number of shares in issue	190,972,969	180,783,345	185,689,432
Loss per £0.10 ordinary share (basic and diluted)	(12.20)p	(3.62)p	(11.53)p

8. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>							
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)	—	—
<b>At 31 December 2021 (audited)</b>	<b>7,412</b>	<b>25,502</b>	<b>2,563</b>	<b>348</b>	<b>1,975</b>	<b>12</b>	<b>37,812</b>
Additions	238	2,437	169	—	2,685	—	5,529
Transfers	22	264	—	—	(286)	—	—
<b>At 30 June 2022 (unaudited)</b>	<b>7,672</b>	<b>28,203</b>	<b>2,732</b>	<b>348</b>	<b>4,374</b>	<b>12</b>	<b>43,341</b>
<b>Accumulated depreciation</b>							
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
<b>At 31 December 2021 (audited)</b>	<b>3,358</b>	<b>14,285</b>	<b>1,790</b>	<b>232</b>	<b>—</b>	<b>6</b>	<b>19,671</b>
Charge for the period	442	1,872	226	37	—	1	2,578
<b>At 30 June 2022 (unaudited)</b>	<b>3,800</b>	<b>16,157</b>	<b>2,016</b>	<b>269</b>	<b>—</b>	<b>7</b>	<b>22,249</b>
<b>Net book value</b>							
<b>At 30 June 2022 (unaudited)</b>	<b>3,872</b>	<b>12,046</b>	<b>716</b>	<b>79</b>	<b>4,374</b>	<b>5</b>	<b>21,092</b>
At 31 December 2021 (audited)	4,054	11,217	773	116	1,975	6	18,141

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

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



Notes to the financial statements for the six months ended 30 June 2022 (continued)

8. Property, plant and equipment (continued)

Comparatives for the six months ended 30 June 2021 are provided separately below:

Unaudited	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>							
At 1 January 2021	5,883	21,409	2,061	314	756	12	30,435
Additions	863	1,466	316	28	966	—	3,639
Transfers	—	572	—	—	(572)	—	—
<b>At 30 June 2021</b>	<b>6,746</b>	<b>23,447</b>	<b>2,377</b>	<b>342</b>	<b>1,150</b>	<b>12</b>	<b>34,074</b>
<b>Accumulated depreciation</b>							
At 1 January 2021	2,712	11,196	1,398	149	—	1	15,456
Charge for the period	268	1,444	169	46	—	3	1,930
<b>At 30 June 2021</b>	<b>2,980</b>	<b>12,640</b>	<b>1,567</b>	<b>195</b>	<b>—</b>	<b>4</b>	<b>17,386</b>
<b>Net book value</b>							
<b>At 30 June 2021</b>	<b>3,766</b>	<b>10,807</b>	<b>810</b>	<b>147</b>	<b>1,150</b>	<b>8</b>	<b>16,688</b>

9. Right of use assets

Cost	Land and Buildings £'000	Computer equipment £'000	Total £'000
<b>At 1 January 2021</b>	4,729	18	4,747
Additions	—	43	43
Adjustment to lease term	(1,035)	—	(1,035)
Disposals	—	(18)	(18)
<b>At 31 December 2021 (audited)</b>	<b>3,694</b>	<b>43</b>	<b>3,737</b>
<b>At 30 June 2022 (unaudited)</b>	<b>3,694</b>	<b>43</b>	<b>3,737</b>
<b>Accumulated depreciation</b>			
<b>At 1 January 2021</b>	766	10	776
Charge for the year	523	18	541
Disposals	—	(18)	(18)
<b>At 31 December 2021 (audited)</b>	<b>1,289</b>	<b>10</b>	<b>1,299</b>
Charge for the period	264	7	271
<b>At 30 June 2022 (unaudited)</b>	<b>1,553</b>	<b>17</b>	<b>1,570</b>
<b>Net book value</b>			
<b>At 30 June 2022 (unaudited)</b>	<b>2,141</b>	<b>26</b>	<b>2,167</b>
At 31 December 2021 (audited)	2,405	33	2,438

Notes to the financial statements for the six months ended 30 June 2022 (continued)

9. Right of use assets (continued)

Comparatives for the six months ended 30 June 2021 are provided separately below:

Unaudited	Land and Buildings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>			
<b>At 1 January 2021</b>	4,729	18	4,747
Additions	–	43	43
Adjustment of lease term	(1,035)	–	(1,035)
Disposals	–	(18)	(18)
<b>At 30 June 2021</b>	3,694	43	3,737
<b>Accumulated depreciation</b>			
<b>At 1 January 2021</b>	766	10	776
Charge for the period	254	11	265
Disposals	–	(18)	(18)
<b>At 30 June 2021</b>	1,020	3	1,023
<b>Net book value</b>			
At 30 June 2021	2,674	40	2,714

During the six-month period ended 30 June 2021, the Group revised the expected term on one of its property leases, recognising an adjustment of £1,035,000 to reduce the right of use asset.

Notes to the financial statements for the six months ended 30 June 2022 (continued)

10. Intangible assets

	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Perpetual software licences £'000	Patent costs £'000	Total £'000
<b>Cost</b>					
At 1 January 2021	411	4,424	—	295	5,130
Additions	—	3,983	252	338	4,573
<b>At 31 December 2021 (audited)</b>	<b>411</b>	<b>8,407</b>	<b>252</b>	<b>633</b>	<b>9,703</b>
Additions	—	2,709	151	86	2,946
<b>At 30 June 2022 (unaudited)</b>	<b>411</b>	<b>11,116</b>	<b>403</b>	<b>719</b>	<b>12,649</b>
<b>Accumulated amortisation</b>					
At 1 January 2021	82	139	—	—	221
Charge for the year	82	899	23	—	1,004
<b>At 31 December 2021 (audited)</b>	<b>164</b>	<b>1,038</b>	<b>23</b>	<b>—</b>	<b>1,225</b>
Charge for the period	<b>41</b>	<b>377</b>	<b>56</b>	<b>68</b>	<b>542</b>
<b>At 30 June 2022 (unaudited)</b>	<b>205</b>	<b>1,415</b>	<b>79</b>	<b>68</b>	<b>1,767</b>
<b>Net book value</b>					
<b>At 30 June 2022 (unaudited)</b>	<b>206</b>	<b>9,701</b>	<b>324</b>	<b>651</b>	<b>10,882</b>
At 31 December 2021 (audited)	247	7,369	229	633	8,478

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

Comparatives for the six months ended 30 June 2021 are provided separately below:

	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Patent costs £'000	Total £'000
<b>Unaudited</b>				
<b>Cost</b>				
At 1 January 2021	411	4,424	295	5,130
Additions	—	1,403	183	1,586
<b>At 30 June 2021</b>	<b>411</b>	<b>5,827</b>	<b>478</b>	<b>6,716</b>
<b>Accumulated amortisation</b>				
At 1 January 2021	82	139	—	211
Charge for the period	41	515	—	566
<b>At 30 June 2021</b>	<b>123</b>	<b>654</b>	<b>—</b>	<b>777</b>
<b>Net book value</b>				
<b>At 30 June 2021</b>	<b>288</b>	<b>5,173</b>	<b>478</b>	<b>5,939</b>

Notes to the financial statements for the six months ended 30 June 2022 (continued)

11. Inventories

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Raw materials	1,381	1,162	1,299
Work in progress	1,186	977	969
Finished goods	4,582	849	877
Total inventory	<u>7,149</u>	<u>2,988</u>	<u>3,145</u>

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

12. Trade and other receivables

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Current:</b>			
Trade receivables	4,651	3,618	2,612
Other receivables	3,503	3,541	2,253
	<u>8,154</u>	<u>7,159</u>	<u>4,865</u>
<b>Non-current:</b>			
Other receivables	741	741	741

Included within other current receivables is the research and development tax credit of £1,551,000 (30 June 2021: £502,000; 31 December 2021: £1,304,000).

13. Other current assets

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Prepayments	880	651	673
Accrued interest	—	232	322
Accrued grant income	144	92	138
	<u>1,024</u>	<u>975</u>	<u>1,133</u>

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

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash at bank and in hand	6,601	3,424	4,957
Money market funds	100,847	161,732	146,498
<b>Cash and cash equivalents</b>	<b>107,448</b>	165,156	151,455
Short-term investments <sup>1</sup>	114,177	95,733	93,129
Long-term investments	—	2,000	5,000
<b>Cash and cash equivalents and investments</b>	<b>221,625</b>	262,889	249,584

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

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

15. Trade and other payables

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Current:</b>			
Trade payables	4,537	2,334	2,425
Other payables	320	168	358
	<b>4,857</b>	2,502	2,783

16. Other current liabilities

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Accruals	6,767	2,822	4,803
Deferred grant income	893	1,137	1,015
	<b>7,660</b>	3,959	5,818

## 17. Derivative financial instruments

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Financial assets measured at fair value through profit or loss</b>			
Forward exchange contracts	241	230	321
Non-deliverable forward contracts	462	615	752
Total derivative assets	<u>703</u>	<u>845</u>	<u>1,073</u>

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Financial liabilities measured at fair value through profit or loss</b>			
Forward exchange contracts	(5)	—	—
Total derivative liabilities	<u>(5)</u>	<u>—</u>	<u>—</u>

In 2020, the Group entered into a non-deliverable forward (NDF) to hedge its exposure to Korean Won (KRW) with respect to a major customer contract. As at 30 June 2022, the unrealised fair value gain was £462,000 (31 December 2021: £752,000). The Group also had a number of forward exchange contracts in place to hedge expected transactions in other currencies including EUR and CAD, with an unrealised total gain of £236,000 as at 30 June 2022 (31 December 2021: £321,000). All derivative financial instruments are measured using techniques consistent with level 2 of the fair value hierarchy.

## 18. Lease liabilities

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>At the start of the period</b>	<b>3,039</b>	4,445	4,445
New finance leases recognised	—	42	41
Lease payments	(516)	(411)	(721)
Interest expense	103	204	316
Early settlement	—	(7)	—
Adjustment to lease term	—	(1,035)	(1,042)
<b>At the end of the period</b>	<b><u>2,626</u></b>	<u>3,238</u>	<u>3,039</u>
Current	655	622	754
Non-current	1,971	2,616	2,285
<b>Total at the end of the period</b>	<b><u>2,626</u></b>	<u>3,238</u>	<u>3,039</u>

Notes to the financial statements for the six months ended 30 June 2022 (continued)

19. Provisions

	<b>Property Dilapidations £'000</b>	<b>Warranties £'000</b>	<b>Contract Losses £'000</b>	<b>Total £'000</b>
<b>At 1 January 2021</b>	1,610	418	194	2,222
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	–	(404)	(175)	(579)
Unwinding of discount	64	–	–	64
Increase in provision	154	1,239	307	1,700
<b>At 31 December 2021 (audited)</b>	<b>1,828</b>	<b>1,253</b>	<b>326</b>	<b>3,407</b>
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	–	–	(138)	(138)
Unused amounts reversed	–	–	(124)	(124)
Unwinding of discount	37	–	–	37
Increase in provision	45	178	–	223
<b>At 30 June 2022 (unaudited)</b>	<b>1,910</b>	<b>1,431</b>	<b>64</b>	<b>3,405</b>
Current	–	1,431	64	1,495
Non-current	1,910	–	–	1,910
<b>At 30 June 2022 (unaudited)</b>	<b>1,910</b>	<b>1,431</b>	<b>64</b>	<b>3,405</b>
Current	–	1,253	326	1,579
Non-current	1,828	–	–	1,828
At 31 December 2021 (audited)	1,828	1,253	326	3,407

Comparatives for the six months ended 30 June 2021 are provided separately below:

<b>Unaudited</b>	<b>Property Dilapidations £'000</b>	<b>Warranties £'000</b>	<b>Contract Losses £'000</b>	<b>Total £'000</b>
<b>At 1 January 2021</b>	1,610	418	194	2,222
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	–	(13)	(75)	(88)
Unwinding of the discount	32	–	–	32
Increase in provision	–	371	217	588
<b>At 30 June 2021</b>	<b>1,642</b>	<b>776</b>	<b>336</b>	<b>2,754</b>
Current	–	776	336	1,112
Non-current	1,642	–	–	1,642
At 30 June 2021	1,642	776	336	2,754

**20. Share capital**

	2022 (unaudited)		2021 (audited)	
	Number of £0.10 Ordinary shares	£'000	Number of £0.10 Ordinary shares	£'000
<b>Allotted and fully paid</b>				
At 1 January 2022 / 1 January 2021	190,729,638	19,073	172,171,527	17,217
Allotted £0.10 Ordinary shares on exercise of employee share options	844,978	84	1,490,531	149
Allotted £0.10 Ordinary shares on cash placing (see below)	—	—	17,067,580	1,707
<b>At 30 June 2022 / 31 December 2021</b>	<b>191,574,616</b>	<b>19,157</b>	<b>190,729,638</b>	<b>19,073</b>

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. In conjunction 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 six months ended 30 June 2022, 844,978 ordinary £0.10 shares were allotted for cash consideration of £627,427 on the exercise of employee share options (six months ended 30 June 2021: 1,172,153 ordinary £0.10 shares were allotted for cash consideration of £585,762; year ended 31 December 2021: 1,490,531 ordinary £0.10 shares were allotted for cash consideration of £705,636).

Comparatives for the six months ended 30 June 2021 are provided separately below:

	2021 (unaudited)	
	Number of £0.10 Ordinary shares	£'000
<b>Allotted and fully paid</b>		
At 1 January 2021	172,171,527	17,217
Allotted £0.10 Ordinary shares on exercise of employee share options	1,172,153	117
Allotted £0.10 Ordinary shares on cash placing	17,067,580	1,707
<b>At 30 June 2021</b>	<b>190,411,260</b>	<b>19,041</b>

**Reserves**

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

**21. Capital commitments**

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £8,131,000 as at 30 June 2022 (as at 30 June 2021: £1,232,000 and as at 31 December 2021: £8,086,000), in respect of the acquisition of property, plant and equipment.



**22. Related party transactions**

As at 30 June 2022 and as at 31 December 2021, the Group's related parties were its Directors and RFC Power Ltd. As at 30 June 2021, the Group's related parties were its Directors.

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

During the year ended 31 December 2021 and period ending 30 June 2021 one Director exercised and retained 8,491 share options under the Company's employee share save scheme. There were no other transactions between the Company and the Directors during the year ended 31 December 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 £0.3m (12 months ended 31 December 2021: £0.1m) in return for equity share capital.

## Non-GAAP Alternative Performance Measures (unaudited)

### Reconciliation between operating loss and Adjusted EBITDA

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

	6 months ended 30 June 2022 £'000	6 months ended 30 June 2021 £'000	12 months ended 31 Dec 2021 £'000
<b>Operating loss</b>	<b>(25,203)</b>	<b>(7,602)</b>	<b>(23,430)</b>
Depreciation and amortisation	3,391	2,751	5,760
Share-based payment charges	1,214	1,102	2,615
Unrealised losses/(gains) on forward contracts	374	(829)	(1,057)
Exchange (gains)/losses	(271)	63	(563)
<b>Adjusted EBITDA</b>	<b>(20,495)</b>	<b>(4,515)</b>	<b>(16,675)</b>

### 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 and adjusted for interest payments and receipts and exchange rate movements. The table below reconciles net cash from operating activities to equity-free cash flow for each period.

	6 months ended 30 June 2022 £'000	6 months ended 30 June 2021 £'000	12 months ended 31 Dec 2021 £'000
<b>Net cash from operating activities</b>	<b>(20,599)</b>	<b>(13,170)</b>	<b>(20,342)</b>
Capital expenditure (total)	(8,475)	(5,225)	(11,950)
Interest and lease payments (net)	214	(279)	(283)
Exchange rate movements	271	(63)	563
<b>Equity-free cash flow</b>	<b>(28,589)</b>	<b>(18,737)</b>	<b>(32,012)</b>

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that interim financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with the requirements of the London Stock Exchange AIM Rules for Companies.

We have been engaged by the company to review the interim financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity and the Notes to the financial statements for the six months ended 30 June 2022.

**Basis for conclusion**

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

As disclosed in note one, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The interim financial statements included in this half-yearly financial report has been prepared in accordance with the requirements of the London Stock Exchange AIM Rules for Companies.

**Conclusions relating to going concern**

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

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

**Responsibilities of directors**

The directors are responsible for preparing the half-yearly financial report in accordance with the requirements of the London Stock Exchange AIM Rules for Companies which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the review of the financial information**

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

**Use of our report**

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

BDO LLP

Chartered Accountants

Guildford, UK

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