CWR.L

27 September 2024

Ceres Power Holdings plc

Interim results for the six months ended 30 June 2024

Strong growth in revenue and order intake, significant reduction in cash outflows

Ceres Power Holdings plc ("Ceres", the "Company") (CWR.L), a leading developer of clean energy technology, announces its results for the six month period ended 30 June 2024.

Financial highlights

- Revenue increased 144% to £28.5 million (H1 2023: £11.7 million[1])
- Record order intake from signing new contracts of £46.9 million in H1, growing to £103.3 million since the start of the year to 31 August 2024
- Gross profit increased 217% to £22.9 million (H1 2023: £7.2 million[1]), and a gross margin of 80% (H1 2023: 62%[1]) reflecting impact of technology transfer to Delta
- Adjusted EBITDA loss significantly reduced to £9.0 million (H1 2023: £23.5 million[1]), demonstrating the operational leverage of the business
- Significantly reduced cash outflow of £13.9 million (H1 2023: £21.1 million) driving robust cash and short-term investments of £126.1 million (H1 2023: £161.2 million)

Commercial acceleration

- **Delta becomes new major licensing partner**: a global long-term manufacturing collaboration with Delta Electronics in Taiwan for both solid oxide electrolysis cell ("SOEC") and solid oxide fuel cell ("SOFC") stack production was signed in January to drive revenues in 2024 and beyond. Initial production is expected by the end of 2026, with royalties expected to follow
- **Denso manufacturing licence continues strong business momentum**: Since the end of the first half period, Ceres announced its second major manufacturing licence agreement of the year with Denso Corporation in Japan, incorporating licence fees, engineering services and hardware revenues over multiple years
- **Thermax deal signals market entry into attractive new region:** A new systems licence partnership with Thermax takes Ceres into the dynamic and high-growth Indian market. It positions Ceres closer to end customers in India's hard-to-abate industrial markets such as green hydrogen, steel and ammonia production
- **Current SOFC manufacturing scale-ups progressing**: Both Bosch and Doosan continue to implement their initial volume manufacturing capabilities, Doosan confirms mass manufacturing to start in 2025
- **Electrolysis demonstrator programme progressing well**: Megawatt scale electrolyser now being commissioned in India by Shell, which has signed a follow-on contract to design a 10MW pressurised SOEC module to produce green hydrogen
- **Accelerating customers to market**: Ceres continues to work closely with AtkinsRéalis to develop optimal system architecture for 100MW+ electrolyser systems suitable for gigawatt-scale hydrogen plants, helping to accelerate customer time to market and drive future Ceres revenues

Outlook

- **Cost base optimisation**: Following successful milestone achievements in our product development roadmap, and certain non-recurring investment programmes coming to an end, there is a natural reduction in investment requirements from historical peak levels. Consequently - in tandem with the implementation of a new organisational structure in September 2024 to ensure the business is optimised to accelerate its growth strategy - management is implementing a rationalisation of the cost base. This will reduce the overall expenditure by approximately 15% to sustain Ceres' competitive advantage and meet the needs of our partners, whilst also maintaining a strong financial footing

- **Upgraded revenue guidance for the year re-confirmed**: In its July trading update the Company increased its revenue guidance for the year ending 31 December 2024 to the range of £50-60 million, based on the contracts secured to date

Phil Caldwell, Chief Executive Officer of Ceres, said:

"We are delivering a record year at Ceres with two major manufacturing licence deals announced so far this year. This is testament to the hard work of our teams in developing our electrolysis technology, which is now gaining commercial traction as major global partners embrace our technology to accelerate their own ambitions to decarbonise the hard-to-abate industrial processes. We continue to broaden our SOEC capabilities, establishing an ecosystem of engineering services partners and system licensees to further support the demand for our electrolyser technology to end markets.

"In parallel our engineering teams continue to work closely with our SOFC partners as they progress towards initial mass production volumes. The growing number of high-quality manufacturing partners implementing our technology at scale and pace demonstrates the effectiveness of our licensing business model in action.

"Simply put, partners come to us because we offer the best overall technology solution for their needs."

Ends

Financial Summary	**30 June 2024 £'000**	30 June 2023 Restated[1] £'000
Total revenue[1], comprising:	**28,500**	11,660
Licence fees	**20,226**	2,816
Engineering services revenue	**5,065**	5,679
Provision of technology hardware	**3,209**	3,165
Gross profit	**22,887**	7,217
Gross margin %	**80%**	62%
Adjusted EBITDA loss[2]	**(9,042)**	(23,528)
Operating loss[1]	**(13,757)**	(28,266)
Net cash used in operating activities	**(13,220)**	(15,629)
Net cash and investments	**126,092**	161,230

1. The restatement to 30 June 2023 is described in Note 1
2. Adjusted EBITDA loss is an Alternative Performance Measure, as defined and reconciled to operating loss at the end of this report.

Analyst presentation

Ceres Power Holdings plc will be hosting a live webcast for analysts and investors on 27 September 2024 at 09.30 GMT. 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 or contact:

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About Ceres

Ceres is a leading developer of clean energy technology: electrolysis for the production of green hydrogen and fuel cells for power generation. Its asset-light, licensing model has seen it establish partnerships with some of the world's largest companies, such as Bosch, Doosan, Delta, Denso, Shell, Thermax and Weichai. Ceres' solid oxide technology supports greater electrification of our energy systems and produces green hydrogen at high efficiencies as a route to decarbonise emissions-intensive industries such as steelmaking, ammonia and future fuels. Ceres is listed on the London Stock Exchange ("LSE") (LSE: CWR) and is classified by the LSE Green Economy Mark, which recognises listed companies that derive more than 50% of their activity from the green economy. Read more on our website www.ceres.tech or follow us on LinkedIn.

Chief Executive's statement

The undeniable effects of climate change continue to impact lives around the world on an increasingly regular basis, including the dislocation of communities fleeing floods and extreme weather events in Asia or the devastation to forests, farmland and buildings caused by wildfires that have been sweeping across parts of the US, Europe and Australia.

Many governments have responded with decisive action on decarbonisation, putting in place specific hydrogen strategies to incentivise the production, infrastructure development and adoption of green hydrogen. For example, the EU is targeting the deployment of 40GW of green hydrogen electrolysis by 2030, committing up to €470 billion in investments up to 2050 for the hydrogen economy; Japan aims to generate public and private investment in hydrogen worth 15 trillion yen over the next 15 years, with specific reference to the hard-to-abate sectors; and South Korea's Hydrogen Economy Roadmap to develop its hydrogen infrastructure and commercialisation strategies is being backed by around $35 billion of government funding.

Ceres is committed to working in partnership with global OEMs and systems design companies to help nations decarbonise as they strive towards their net zero targets. These strategies will take time and resources to bring into effect, especially in the complex industrial sectors where value chains are long and where fossil fuels and feedstocks are well entrenched. A move towards decarbonisation requires disrupting the status quo - leveraging more advanced technologies, putting in place new supply chains and redesigning complex industrial processes. After an extended period of industry stagnation in the wake of high fuel costs, rising rates of inflation and elevated interest rates, confidence now appears to be returning as these effects moderate. In 2023 the number of announced green hydrogen projects grew by about 35% from 1,050 in January 2023 to over 1,400 at the end of the year, with a value of over $570 billion. Solid oxide technology offers significant efficiency advantages particularly when coupled with waste heat from industrial processes.

Ceres's solid oxide technology also has a role to play in decarbonising energy systems. As some nations transition away from coal to liquefied natural Gas (LNG) for their power needs, Ceres' SOFC technology can enable more efficient power generation from a range of fuels. Closures of coal plants are offset by increases in nuclear, gas and renewable output. This transition is seen in regions such as South Korea, China, India and Taiwan, supported by various government initiatives. Currently the adoption of lower carbon and zero carbon power generation is being further driven by the ramp in energy demand for applications such as AI and datacentres alongside existing opportunities in areas of stationary power generation and grid reinforcement. In *its Global Energy Perspective 2024* report, McKinsey estimates that the rise of cloud solutions, cryptocurrency, and AI could see datacentres accounting for 2,500 to 4,500 terawatt hours (TWh) of global electricity demand by 2050 (5-9 percent of total electricity demand). This demand creates greater need for gas or other firming sources of energy to balance out the intermittency of renewable energy sources.

Ceres is rapidly becoming the technology of choice for leading companies adopting solid oxide as the licensing model enables rapid adoption as the pace for change picks up across the global green hydrogen and power generation markets.

Green hydrogen in hard-to-abate industries

Hard-to-abate industries such as steel production, chemical manufacturing and long-haul transportation, are characterized by their reliance on high-temperature processes, the need for energy-dense fuels, or the use of fossil fuels as feedstock. As a result, they are difficult to decarbonise using current renewable energy sources or electric alternatives alone. Green hydrogen offers a versatile alternative that can address many of these challenges as it can be produced in a zero carbon manner using renewable energy and electrolysis.

Hydrogen can be used as a fuel to generate power efficiently; as a feedstock to decarbonise industrial processes; and as an energy carrier. Importantly, it can be deployed using modified versions of existing industrial equipment, reducing transition costs and time-to-market. Bloomberg New Energy Finance believes that by 2050 around 49% of total green hydrogen consumption will be accounted for by the production of green steel, ammonia and sustainable aviation fuels, expected to be approximately 191 Mt per annum.

Ceres' SOEC technology, based on over 20 years of solid oxide innovation and development, enables the highly efficient production of hydrogen, particularly where by-product industrial heat can be harnessed for the electrolysis process. In tandem, the company's business model has been established to help accelerate decarbonisation across these hard-to-abate industrial sectors. As the partner of choice for leading global OEMs and systems developers, Ceres offers a faster route to market and efficient zero carbon hydrogen production. This saves our partners the time, effort and resource needed to develop their own solutions and allows them to focus on their strengths in industrial manufacturing and distribution. Ceres believes this synergy is key to enabling industrial decarbonisation at scale and pace.

Commercial acceleration into SOEC bearing fruit

In 2021, Ceres made the strategic decision to accelerate development of its electrolysis technologies to position the company in the rapidly expanding green hydrogen industry. Over the last three years continuing innovation of the company's core solid oxide technology has created a highly efficient and lower cost mode of hydrogen electrolysis for the hard-to-abate industrial sectors. At the same time the Company invested in its Commercial teams to implement new customer programmes for SOEC; this emphasis on building commercial relationships across the hydrogen industry is now starting to bear fruit.

In January 2024 Ceres and Delta Electronics signed a global long-term manufacturing collaboration and licence agreement for both SOEC and SOFC stack production. Headquartered in Taiwan, Delta employs over 80,000 people across approximately 200 facilities worldwide, with a Taiwan Stock Exchange market capitalisation of approximately US$23 billion. It provides solutions to customers across a range of sectors including chemicals, energy, transportation and steel.

This dual licence agreement is the first of its kind for Ceres, underlining the efficiency that Ceres' solid oxide stack technologies can bring to both power generation and green hydrogen production. These capabilities complement Delta's current expertise in mass manufacturing, power electronics and data centres for customers like Microsoft. The partnership also enables its move into turnkey decarbonisation solutions and the development of smart buildings, energy infrastructure, grid balancing and energy storage for customers such as Tesla. The deal will generate a total revenue of £43 million to Ceres through technology transfer, development licence fees, and engineering services, of which approximately half is expected to be recognised in 2024. Delta is expected to start manufacturing by the end of 2026 with strong ambitions for future scale-up. Royalty revenues are separately covered in the scope of the agreement and will be generated when Delta products are sold into their end markets.

In June 2024, the Company extended its relationship with Shell to design a SOEC demonstrator module for use in large-scale industrial applications such as synthetic fuels, ammonia and green steel. This builds on the initial contract to deploy a 1MW SOEC system at Shell's R&D facility in Bangalore, India focusing on the development of a 10MW pressurised module to produce green hydrogen at 36 kWh/kg. It is intended that this design can be scaled to hundreds of megawatts and be integrated with industrial plants to produce sustainable future fuels.

Separately, Bosch and Linde started work on a 1MW pressurised stack array module based on Ceres' SOEC technology. This will be a repeating unit and form a building block for larger scale electrolysis systems. The two-year demonstration project is anticipated to showcase that SOEC provides a highly efficient pathway to low-cost green hydrogen production for industrial applications.

As the Company has accelerated commercial delivery, the momentum of the first half of the year has continued into current trading. In July 2024, Ceres announced that it had signed a long term SOEC manufacturing licence with Japan's Denso Corporation, a Fortune 500 company employing over 160,000 people in 35 countries and regions worldwide. Denso aims to leverage the expertise of system control and thermal management it has built in automotive system development to develop technology in hydrogen production.

The partnership will enable Denso to produce Ceres' current and future generations of stack technology under licence, in line with its aim to establish a hydrogen supply chain. In common with other manufacturing licence partnerships, this agreement provides revenues for licence fees, engineering services and hardware over multiple years, as well as future royalty payments.

In addition to securing new manufacturing licences, Ceres also signed a new system licensing partnership with Thermax, one of India's largest process equipment manufacturers with an extensive industrial portfolio that includes clean air, clean energy, clean water and chemical solutions. The partnership is driven by accelerating system development for commercial use within the hard-to-abate green ammonia, petrochemical and steel industries in India where Thermax already has established market presence.

System licence fees are more modest than manufacturing licences, but this partnership is of high strategic importance for Ceres. First, it gives the company a foothold in the fast growing Indian hydrogen market, a major new territory for the Company that is well supported through India's $2.3 billion National Green Hydrogen Mission incentives. Secondly, the relationship will seed Ceres technology into the market with key end market customers, leveraging Ceres' highly differentiated electrolysis technology and Thermax's experience and market position in the industrial process market, to enable it to become a vertically integrated SOEC system solution provider.

As well as helping our partners to speed up market entry of their decarbonisation products, Ceres has been working with AtkinsRéalis, a world-leading engineering, procurement and construction (EPC) services group, to deliver the front-end engineering design (FEED) for a commercial multi-megawatt modularised hydrogen production system based on Ceres' SOEC technology. This design will provide commissioners of green hydrogen production plants with a blueprint of the optimum system architecture for a 100MW+ electrolyser system to produce green hydrogen. This will be a key building block for GW-scale plants based on Ceres' robust, low cost and highly efficient SOEC approach.

While Ceres has focused on generating commercial momentum in its electrolysis activities we continue to work closely with existing SOFC partners to support the implementation of their respective solid oxide cell and stack manufacturing facilities. Both Bosch and Doosan are progressing towards mass manufacturing and the Company continues to anticipate initial royalty payments from Doosan to be received by the end of 2025. We continue to support the system development of 75 kW power modules by Weichai who have a leading position in China's gas engine market and Delta is the latest addition to our SOFC licensees.

Financial review

The Company reported revenue for the six-month period ended 30 June 2024 of £28.5 million, compared to £11.7[1] million in the same period in 2023. Most of the revenue was from the technology transfer licence fees associated with the Manufacturing and Collaboration Agreement signed with Delta in January 2024, this revenue has no associated cost of sales. Revenue from existing partners Bosch and Doosan continued as we supported them through ongoing development activities leading up to commercial launch. Revenue from the Manufacturing and Licence Agreement with Denso signed in July 2024 will commence in the second half of the year as we anticipate record revenue for the financial year.

Gross profit of £22.9 million in the year (H1 2023: £7.2 million[1]) increased when compared to the prior year due to the impact of increased licence revenue which has no associated cost of sales. Consequently, gross margins remain high at 80% (H1 2023: 62%[1]), which illustrates the Company's asset-light, licencing business model.

Operating costs were comparable to H1 2023 at £37.9 million (H1 2023: £37.1 million) as Ceres maintained investment in core technology to drive future growth, including the development of the second generation of stacks to operate more effectively in electrolysis mode and further development in modular stack designs for output efficiencies. R&D costs of £23.3 million were lower than the £26.8 million in the prior year period, as the business achieved significant technology development milestones and passes peak investment needs.

Adjusted EBITDA loss for H1 2024 reduced to £9.0 million (H1 2023: £23.5 million[1]). Adjusted EBITDA is a non-statutory measure and is detailed in the Alternative Performance Measures section in this review. The decreased loss is primarily due to the high margin revenue recognised explained above.

Capital expenditure in the half reduced to £2.8 million (H1 2023: £3.1 million) as there was reduced requirement to invest in prototype manufacturing capacity and test stand infrastructure. Capitalised development costs reduced to £1.3 million compared to £3.4 million in the prior year period mainly due to the second generation of stack design development working towards completion.

Cash outflow in the period (change in cash, cash equivalents and short-term investments) was £13.9 million (H1 2023: £21.1 million). This improvement was driven by customer receipts, reduced capital investments and increased finance income. Ceres therefore ends the period in a strong position with £126.1 million in cash, cash equivalents and short-term investments (H1 2023: £161.2 million, 31 December 2023: £140.0 million). This will support future investment as the Company drives revenue growth, maintains discipline over costs and expenditure and tracks towards profit and cashflow break-even.

Principal risks and uncertainties

The Directors have reviewed the principal risks and uncertainties that could have a material impact on the Group's performance and have updated the risks from those described in the Ceres Annual Report, 2023. The Directors have determined that cyber security is now an elevated risk and that there is a risk that a cyber-attack or breach of system security could disrupt our operations, cause the loss of, destruction of, or unauthorised access to sensitive IP and trade secrets. The Directors have also determined that the risk of detrimental partner actions has reduced to no longer be considered a principal risk. A summary of the Group's principal risks can be found at the end of this report.

Restructuring and cost optimisation

Following significant investment in the development of SOEC and SOFC programmes in recent years, some projects have passed peak investment requirements and there is now a natural reduction of future investment requirements. Since the end of the period, management has reviewed roles and responsibilities across the company to ensure the business is optimised to accelerate its growth strategy and has implemented a new organisational structure to take it forward. The proposed changes will result in a headcount reduction of approximately 15% in Q4 2024, and also a reduction in the overall cost base by a similar level, whilst also delivering on our commitments to our partners and maintaining our strong competitive advantage as a leader in clean energy conversion technology.

Board change

In September 2024 the Company separately announced that Eric Lakin will step down as CFO and from the Board to pursue other interests, to be replaced by Stuart Paynter. These changes will become effective on 1 October 2024 and Eric will remain with Ceres for sufficient time to ensure a smooth transition of responsibilities. Previously CFO of advanced therapies innovator Oxford BioMedica plc, Stuart has extensive financial and commercial experience across a range of advanced technology sectors, as well as a strong capital markets, UK governance and transformation delivery track record.

Outlook: building commercial traction

Ceres is progressing well on the path to commercialisation with our partners. The biggest global manufacturers and systems developers looking to enter the dynamic hydrogen market have chosen to partner with Ceres to leverage our world-leading technology and a highly flexible licencing business model to gain rapid access to the growing hydrogen market.

In a short period of time Ceres has progressed from investment phase in SOEC to commercial partnerships, validating our business model and strategy. This acceleration of our commercial success is reflected in the recent upgrade to financial guidance and positions us well to deliver a record year in revenues for the Company. Record order intake of £103.3 million since the start of the year to 31 August 2024 was achieved by the Company due to the higher levels of commercial activity. Given the recent restructuring and commercial progress we are now well positioned for the future and expect continued momentum for the full year performance as we continue to grow the business to meet the needs for industrial decarbonisation and reliable clean power generation.

Phil Caldwell
Chief Executive Officer

Responsibility Statement

The directors confirm that to the best of their knowledge:

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

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the six month period ended 30 June 2024

	Note	**30 June 2024 (unaudited) £'000**	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Revenue[1]	2	**28,500**	11,660	22,324
Cost of sales		**(5,613)**	(4,443)	(8,770)
Gross profit		**22,887**	7,217	13,554
Other operating income[2]		**1,262**	1,584	3,665
Operating costs[1]	3	**(37,906)**	(37,067)	(76,620)
Operating loss		**(13,757)**	(28,266)	(59,401)
Finance income	4	**3,193**	2,834	7,079
Finance expense	4	**(248)**	(723)	(1,287)
Loss before taxation		**(10,812)**	(26,155)	(53,609)
Taxation (charge)/credit	5	**(1,800)**	(68)	(399)
Loss for the financial period and total comprehensive loss		**(12,612)**	(26,223)	(54,008)
Loss per £0.10 ordinary share expressed in pence per share:				
Basic and diluted loss per share	6	**(6.53)p**	(13.63)p	(28.03)p

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

[1] The restatement to 30 June 2023 is described in Note 1.
[2] Other operating income relates to grant income and the Group's RDEC tax credit.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Note	30 June 2024 (unaudited) £'000	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Assets				
Non-current assets				
Property, plant and equipment[1]	7	**24,819**	25,888	25,882
Right-of-use assets	8	**2,139**	2,411	2,141
Intangible assets	9	**19,892**	16,218	19,054
Investment in associate		**2,236**	2,398	2,350
Other receivables	11	**741**	741	741
Total non-current assets		**49,827**	47,656	50,168
Current assets				
Inventories	10	**5,583**	3,719	2,825
Contract assets[1]	2	**2,861**	573	1,575
Other current assets	12	**1,331**	1,180	1,193
Derivative financial instruments	16	**60**	508	8
Current tax receivable		**770**	7,553	771
Trade and other receivables	11	**11,128**	13,022	9,876
Short-term investments[1]	13	**62,649**	109,153	90,249
Cash and cash equivalents[1]	13	**63,443**	52,077	49,707
Total current assets		**147,825**	187,785	156,204
Liabilities				
Current liabilities				
Trade and other payables	14	**(7,518)**	(4,718)	(4,983)
Contract liabilities[1]	2	**(7,017)**	(7,835)	(7,469)
Other current liabilities[1]	15	**(6,774)**	(7,262)	(6,301)
Derivative financial instruments	16	**–**	–	(99)
Lease liabilities	17	**(756)**	(664)	(694)
Provisions[1]	18	**(749)**	(449)	(647)
Total current liabilities		**(22,814)**	(20,928)	(20,193)
Net current assets		**125,011**	166,857	136,011
Non-current liabilities				
Lease liabilities	17	**(1,851)**	(2,243)	(1,902)
Other non-current liabilities[1]	15	**(1,221)**	(1,217)	(1,360)
Provisions[1]	18	**(2,467)**	(2,098)	(2,282)
Total non-current liabilities		**(5,539)**	(5,558)	(5,544)
Net assets		**169,299**	208,955	180,635
Equity attributable to the owners of the parent				
Share capital	19	**19,343**	19,272	19,297
Share premium		**406,514**	406,076	406,184
Capital redemption reserve		**3,449**	3,449	3,449
Merger reserve		**7,463**	7,463	7,463
Accumulated losses[1]		**(267,470)**	(227,305)	(255,758)
Total equity		**169,299**	208,955	180,635

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

[1] The restatements to 30 June 2023 are described in Note 1.

CONSOLIDATED CASH FLOW STATEMENT
For the six month period ended 30 June 2024

	Note	**30 June 2024 (unaudited) £'000**	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Cash flows from operating activities				
Loss before taxation[1]		**(10,812)**	(26,155)	(53,609)
Adjustments for:				
Finance income	4	**(3,193)**	(2,834)	(7,079)
Finance expense	4	**248**	723	1,287
Depreciation of property, plant and equipment[1]	7	**3,784**	3,396	7,461
Depreciation of right-of-use assets	8	**358**	303	641
Amortisation of intangible assets	9	**470**	475	1,024
Net foreign exchange loss/(gains)[1]		**223**	282	(232)
Net change in fair value of financial instruments		**(151)**	(454)	143
Profit on disposal of property, plant and equipment		**–**	(21)	–
Share-based payments charge		**900**	735	67
Operating cash flows before movements in working capital		**(8,173)**	(23,550)	(50,297)
(Increase)/decrease in trade and other receivables[1]		**(1,275)**	3,814	6,356
(Increase)/decrease in inventories		**(2,758)**	1,995	2,889
Increase in trade and other payables		**2,276**	2,407	1,847
Increase in contract assets[1]		**(1,286)**	(173)	(1,175)
(Decrease)/increase in contract liabilities[1]		**(452)**	472	106
Increase/(decrease) in provisions[1]		**248**	(526)	(536)
Net cash used in operations		**(11,420)**	(15,561)	(40,810)
Taxation (paid)/received		**(1,800)**	(68)	6,911
Net cash used in operating activities		**(13,220)**	(15,629)	(33,899)
Investing activities				
Proceeds received on disposal of property, plant and equipment		**–**	137	225
Purchase of property, plant and equipment[1]		**(2,383)**	(4,725)	(7,922)
Capitalised development expenditure		**(1,308)**	(3,415)	(6,800)
Decrease/(increase) in short-term investments[1]		**25,220**	1,990	21,168
Finance income received		**5,573**	2,227	5,616
Net cash generated/(used) in investing activities		**27,102**	(3,786)	12,287
Financing activities				
Proceeds from issuance of ordinary shares		**376**	676	809
Repayment of lease liabilities		**(346)**	(284)	(658)
Interest paid		**(129)**	(512)	(393)
Net cash used by financing activities		**(99)**	(120)	(242)
Net increase/(decrease) in cash and cash equivalents		**13,783**	(19,535)	(21,854)
Exchange losses on cash and cash equivalents		**(47)**	(172)	(223)
Cash and cash equivalents at beginning of period		**49,707**	71,784	71,784
Cash and cash equivalents at end of period[1]	13	**63,443**	52,077	49,707

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

[1] The restatement to 30 June 2023 is described in Note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 June 2024

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2023	19,209	405,463	3,449	7,463	(201,817)	233,767
Comprehensive income						
Loss for the financial period	–	–	–	–	(26,223)	(26,223)
Total comprehensive loss	–	–	–	–	(26,223)	(26,223)
Transactions with owners						
Issue of shares, net of costs	63	613	–	–	–	676
Share-based payments charge	–	–	–	–	735	735
Total transactions with owners	63	613			735	1,411
At 30 June 2023 (unaudited)	19,272	406,076	3,449	7,463	(227,305)	208,955
Comprehensive income						
Loss for the financial period	–	–	–	–	(27,785)	(27,785)
Total comprehensive loss	–	–	–	–	(27,785)	(27,785)
Transactions with owners						
Issue of shares, net of costs	25	108	–	–	–	133
Share-based payments charge	–	–	–	–	(668)	(668)
Total transactions with owners	25	108	–	–	(668)	(535)
At 31 December 2023 (audited)	19,297	406,184	3,449	7,463	(255,758)	180,635
Comprehensive income						
Loss for the financial period	–	–	–	–	**(12,612)**	**(12,612)**
Total comprehensive loss	–	–	–	–	**(12,612)**	**(12,612)**
Transactions with owners						
Issue of shares	**46**	**330**	–	–	–	**376**
Share-based payments charge	–	–	–	–	**900**	**900**
Total transactions with owners	**46**	**330**	–	–	**900**	**1,276**
At 30 June 2024 (unaudited)	**19,343**	**406,514**	**3,449**	**7,463**	**(267,470)**	**169,299**

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

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34 'Interim financial reporting' (IAS 34). They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2023 which were prepared in accordance with UK adopted international accounting standards. The condensed consolidated financial statements have been prepared on a historical cost basis except derivative financial instruments, which are stated at their fair value.

The condensed consolidated 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 condensed consolidated financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements.

For legacy licence agreements there has been no changes to the Groups revenue accounting policy. To reflect the conditions present in its new licence agreement the Group has extended its revenue accounting policy, a summary of which includes:

Revenue recognised at a point in time: Revenue recognised on right to use licences relating to the transfer of technology are measured on an observable stand-alone basis. Revenue recognised for the sale of technology hardware is recognised on a cost-plus basis.

Revenue recognised over time: Engineering services and right to access licences are residually allocated and recognised using an input method.

There have been no other changes to the Group's accounting policies, presentation and methods of computation for the unaudited condensed consolidated financial statements and are disclosed in the Group's last audited annual financial statements

The financial information contained in the condensed consolidated 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 2023, 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 condensed consolidated financial information for the six months ended 30 June 2024 has been reviewed by the Company's Auditor, BDO LLP in accordance with International Standard of Review Engagements (UK) 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 month period ended 30 June 2024 of £12.6 million (six months ended 30 June 2023: £26.2 million[1]) and net cash used in operating activities of £13.2 million (six months ended 30 June 2023: £15.6 million[1]). At 30 June 2024, the Group held cash and cash equivalents and investments of £126.1 million (31 December 2023: £140.0 million). The directors have prepared annual budgets and cash flow projections that extend to 31 December 2025, 15 months from the date of approval of this report. The decreased operating cash used in the year is a result of favourable movements in working capital and significant receipts from the new agreement signed with Delta in January 2024. Future projections include management's expectations of the disciplined investment in key R&D projects, new product development and capital investment. Projections also take into account the implementation of the new organisational structure and reduction in the overall cost basis of approximately 15%. Future cash inflows reflect management's expectations of revenue from existing and new licensee partners in both the power and green hydrogen markets.

The projections were stress tested by applying different scenarios including removing expected cash inflows relating to agreements not yet signed leading to a loss of significant future revenue and potential further cost mitigations. 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 condensed consolidated 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 condensed consolidated financial statements, the areas where judgement has been exercised and the key estimation uncertainties were the same as those applied to the consolidated financial statements for the year ended 31 December 2023.

Prior period adjustments

As a result of prior period adjustments made during the audit of the annual report for the year ended 31 December 2023, the opening 2023 financial position was impacted. Adjustments are noted below which have impacted the opening financial position and therefore impacted the unaudited six months period ended 30 June 2023. No new prior period adjustments outside the already identified adjustments during the 2023 audit have been made. Documented below are the implications of these adjustments on the comparative results, further information on prior period adjustments has been presented in the annual report for the year ended 31 December 2023.

Revenue

In respect of the consolidated statement of profit and loss for the period ended 30 June 2023, revenue has been increased by £0.4 million with a corresponding reduction to contract assets of £0.6 million and decrease to contract liabilities of £1.0 million.

Property, plant and equipment and non-current provisions

The profit and loss for the six months ended 30 June 2023 was impacted by an increase in operating costs for depreciation by £0.1 million and there was a corresponding decrease to net assets as a result of the recognition of depreciation for the assets under construction recognised as fixed assets. There was no overall impact on the net cash used in operating activities or other cash flows, or recognised tax as a result of these adjustments.

Other current and non-current liabilities
Other current liabilities as at 30 June 2023 have been restated to reflect the non-current nature of deferred RDEC income to be realised in more than one year, £1.2 million has been recognised as non-current liabilities. There was no impact on net assets, recognised tax or the consolidated statement of cash flows as a result of these adjustments.

Cash, cash equivalents and short-term investments
Cash and cash equivalents and short-term investments were restated as a result of short-term investments incorrectly including cash balances at 30 June 2023 with a value of £7.9 million.

New standards and amendments applicable for the reporting period
None of the standards and interpretations which apply for the first time to financial reporting periods commencing on or after 1 January 2024 materially impact the Group.

The Group no longer presents segmental reporting information which is now consistent with the information the chief operating decision maker receives. This has changed since the 2023 annual report as a result of the combined SOFC and SOEC agreement signed by Delta.

2. Revenue

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

Geographical market

	30 June 2024 (unaudited) £'000	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Europe[2]	**5,423**	6,800	12,394
Asia[2]	**22,979**	4,669	9,589
North America	**98**	191	341
	28,500	11,660	22,324

For the six month period ended 30 June 2024, the Group has identified three major customers (defined as customers that individually contributed more than 10% of the Group's total revenue) that accounted for approximately 67%, 15% and 11% of the Group's total revenue recognised in the period (30 June 2023: two customer at 54% and 40% and 31 December 2023: two major customers that accounted for approximately 51% and 39% of the Group's total revenue recognised for that year).

Major product/service lines

	30 June 2024 (unaudited) £'000	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Engineering services	**5,065**	5,679	10,220
Provision of technology hardware	**3,209**	3,165	5,726
Licence fees[2]	**20,226**	2,816	6,378
	28,500	11,660	22,324

Timing of transfer of goods and services

	30 June 2024 (unaudited) £'000	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Products and services transferred at a point in time	**19,756**	3,973	6,544
Products and services transferred over time	**8,744**	7,687	15,780
	28,500	11,660	22,324

The contract-related assets and liabilities are as follows:

		30 June 2024 (unaudited) £'000	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Trade receivables	11	**4,424**	7,309	3,422
Contract assets – accrued income		**2,861**	573	1,575
Total contract related assets		**7,285**	7,882	4,997
Contract liabilities – deferred income		**(7,017)**	(7,835)	(7,469)

[1] The restatement to 30 June 2023 is described in Note 1.
[2] The adjustments as described in Note 1 have impacted 2023 licences revenue in both Europe and Asia.

3. Operating costs

Operating costs can be analysed as follows:	**30 June 2024 (unaudited) £'000**	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Research and development costs	**23,255**	26,790	54,034
Administrative expenses	**9,138**	8,821	17,681
Commercial (sales and marketing)	**5,513**	1,456	4,905
	37,906	37,067	76,620

[1] The restatement to 30 June 2023 is described in Note 1.

4. Finance income and expenses

	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 (audited) £'000
Interest income on cash, cash equivalents and investments	**3,193**	2,834	7,079
Interest paid	**–**	–	(99)
Interest on lease liability	**(127)**	(128)	(248)
Unwinding of discount on provisions	**(40)**	(39)	(89)
Other finance costs	**–**	–	(46)
Foreign exchange loss on cash, cash equivalents and short-term deposits	**(81)**	(556)	(805)
Interest expense	**(248)**	(723)	(1,287)

5. Taxation

No corporation tax liability has arisen during the period (30 June 2023 and 31 December 2023: £nil) due to the losses incurred. A tax charge has arisen as a result of foreign withholding taxes suffered. The RDEC regime continues to be accessible and has been recognised within other operating income.

	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 (audited) £'000
Foreign tax suffered	**1,800**	2	334
Adjustment in respect of prior periods	**–**	66	65
	1,800	68	399

6. Loss per share

	30 June 2024 (unaudited) £'000	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Loss for the financial period attributable to shareholders[1]	**(12,612)**	(26,223)	(54,008)
Weighted average number of shares in issue	**193,052,759**	192,442,672	192,651,782
Loss per £0.10 ordinary share (basic and diluted)	**(6.53)p**	(13.63)p	(28.03)p

[1] The restatement to 30 June 2023 is described in Note 1.

7. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January 2023[1]	7,134	26,229	1,935	276	7,080	42,654
Additions	1,318	3,647	164	115	1,937	7,181
Transfers	511	2,009	–	–	(2,520)	–
Disposal	(150)	(568)	(57)	–	(68)	(843)
At 31 December 2023 (audited)	8,813	31,317	2,042	391	6,429	48,992
Additions	**337**	**1,354**	–	–	**1,063**	**2,754**
Transfers	**51**	**260**	–	–	**(311)**	–
Disposals	**(225)**	**(194)**	**(102)**	**(6)**	**(33)**	**(560)**
At 30 June 2024 (unaudited)	**8,976**	**32,737**	**1,940**	**385**	**7,148**	**51,186**
Accumulated depreciation						
At 1 January 2023[1]	2,730	11,901	1,403	233	–	16,267
Charge for the year	1,264	5,783	379	35	–	7,461
Depreciation on disposals	(150)	(411)	(57)	–	–	(618)
At 31 December 2023 (audited)	3,844	17,273	1,725	268	–	23,110
Charge for the period	**782**	**2,845**	**132**	**25**	–	**3,784**
Depreciation on disposals	**(225)**	**(194)**	**(102)**	**(6)**	–	**(527)**
At 30 June 2024 (unaudited)	**4,401**	**19,924**	**1,755**	**287**	–	**26,367**
Net book value						
At 30 June 2024 (unaudited)	**4,575**	**12,813**	**185**	**98**	**7,148**	**24,819**
At 31 December 2023 (audited)	4,969	14,044	317	123	6,429	25,882

[1] The opening balances in the cost and accumulated depreciation have been impacted by prior year restatements as described in Note 1 and disclosed in the 2023 annual report'

'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.

8. Right of use assets

	Land and Buildings £'000	Computer equipment £'000	Electric vehicles £'000	Total £'000
Cost				
At 1 January 2023	4,523	43	–	4,566
Additions	168	–	–	168
Adjustment to lease term	(33)	–	–	(33)
At 31 December 2023 (audited)	4,658	43	–	4,701
Additions	**–**	**–**	**211**	**211**
Adjustment to lease term	**145**	**–**	**–**	**145**
At 30 June 2024 (unaudited)	**4,803**	**43**	**211**	**5,057**
Accumulated depreciation				
At 1 January 2023	1,895	24	–	1,919
Charge for the year	627	14	–	641
At 31 December 2023 (audited)	2,522	38	–	2,560
Charge for the period	**334**	**5**	**19**	**358**
At 30 June 2024 (unaudited)	**2,856**	**43**	**19**	**2,918**
Net book value				
At 30 June 2024 (unaudited)	**1,947**	–	**192**	**2,139**
At 31 December 2023 (audited)	2,136	5	–	2,141

The lease liabilities are detailed in Note 17.

9. Intangible assets

	Internally developed intangibles £'000	Customer and internal development programmes £'000	Perpetual software licences £'000	Patent costs £'000	Total £'000
Cost					
At 1 January 2023	411	13,747	525	852	15,535
Additions	–	6,443	–	357	6,800
At 31 December 2023 (audited)	411	20,190	525	1,209	22,335
Additions	–	**1,207**	**18**	**83**	**1,308**
At 30 June 2024 (unaudited)	**411**	**21,397**	**543**	**1,292**	**23,643**
Accumulated amortisation					
At 1 January 2023	246	1,786	148	77	2,257
Charge for the year	82	728	137	77	1,024
At 31 December 2023 (audited)	328	2,514	285	154	3,281
Charge for the period	**41**	**299**	**72**	**58**	**470**
At 30 June 2024 (unaudited)	**369**	**2,813**	**357**	**212**	**3,751**
Net book value					
At 30 June 2024 (unaudited)	**42**	**18,584**	**186**	**1,080**	**19,892**
At 31 December 2023 (audited)	83	17,676	240	1,055	19,054

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.

10. Inventories

	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 (audited) £'000
Raw materials	**2,429**	975	1,648
Work in progress	**1,394**	1,423	787
Finished goods	**1,760**	1,321	390
Total inventory	**5,583**	3,719	2,825

Inventories have increased which reflects the recognition of the second generation of stack technology during the period and the associated raw materials and work in progress.

11. Trade and other receivables

	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 (audited) £'000
Current:			
Trade receivables	**4,424**	7,309	3,422
VAT receivable	**1,395**	656	2,273
RDEC receivable	**5,269**	4,822	4,008
Other receivables	**40**	235	172
	11,128	13,022	9,876
Non-current:			
Other receivables	**741**	741	741

12. Other current assets

	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 (audited) £'000
Prepayments	**1,331**	1,180	1,193

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

	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 (audited) £'000
Cash at bank and in hand	**15,354**	12,904	7,063
Money market funds	**48,089**	39,173	42,644
Cash and cash equivalents	**63,443**	52,077	49,707
Short-term investments	**62,649**	109,153	90,249
Cash and cash equivalents and investments	**126,092**	161,230	139,956

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.

14. Trade and other payables

	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 (audited) £'000
Current:			
Trade payables	**6,633**	4,349	3,624
Other payables	**885**	369	1,359
	7,518	4,718	4,983

15. Other current liabilities

	30 June 2024 (unaudited) £'000	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Current:			
Accruals	**6,530**	7,018	5,933
Deferred income[1]	**244**	244	368
	6,774	7,262	6,301
Non-current:			
Deferred income[1]	**1,221**	1,217	1,360

[1] The restatement to 30 June 2023 is described in Note 1.

16. Derivative financial instruments

	Fair value hierarchy	**Carrying amount 30 June 2024 (unaudited) £'000**	**Fair value 30 June 2024 (unaudited) £'000**	Carrying amount 31 December 2023 (audited) £'000	Fair value 31 December 2023 (audited) £'000
Financial assets measured at fair value through profit or loss					
Forward exchange contracts	Level 2	**–**	**–**	1	1
Currency swap contract	Level 2	**60**	**60**	7	7
Total derivative assets		**60**	**60**	8	8
Financial liabilities measured at fair value through profit or loss					
Forward exchange contracts		**–**	**–**	(99)	(99)
Total derivative liabilities		**–**	**–**	(99)	(99)

17. Lease liabilities

	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 (audited) £'000
At the start of the period	**2,596**	3,124	3,124
New finance leases recognised	**211**	67	66
Lease payments	**(472)**	(412)	(906)
Interest expense	**127**	128	248
Adjustment to lease term	**145**	–	64
At the end of the period	**2,607**	2,907	2,596
Current	**756**	664	694
Non-current	**1,851**	2,243	1,902
Total at the end of the period	**2,607**	2,907	2,596

18. Provisions

	Property Dilapidations £'000	Warranties £'000	Contract Losses £'000	Total £'000
At 1 January 2023	2,105	875	54	3,034
Movements in the Consolidated Statement of Profit and Loss:				
Unused amounts reversed	–	(553)	(10)	(563)
Unwinding of discount	89	–	–	89
Increase in provision	88	281	–	369
At 31 December 2023 (audited)	2,282	603	44	2,929
Movements in the Consolidated Statement of Profit and Loss:				
Unwinding of discount	**40**	–	–	**40**
Change in provision	**145**	**102**	–	**247**
At 30 June 2024 (unaudited)	**2,467**	**705**	**44**	**3,216**
Current	–	**705**	**44**	**749**
Non-current	**2,467**	–	–	**2,467**
At 30 June 2024 (unaudited)	**2,467**	**705**	**44**	**3,216**
Current	–	603	44	647
Non-current	2,282	–	–	2,282
At 31 December 2023 (audited)	2,282	603	44	2,929

	Property Dilapidations £'000	Warranties £'000	Contract Losses £'000	Total £'000
At 1 January 2023	2,105	875	54	3,034
Movements in the Consolidated Statement of Profit and Loss:				
Unused amounts reversed	–	(567)	–	(567)
Unwinding of discount	39	–	–	39
Change in provision	(46)	87	–	41
At 30 June 2023 (unaudited)	2,098	395	54	2,547
Current	–	395	54	449
Non-current	2,098	–	–	2,098
At 30 June 2023 (unaudited)	2,098	395	54	2,547

19. Share capital

	30 June 2024 (unaudited)		31 December 2023 (audited)	
	Number of £0.10 Ordinary shares	**£'000**	Number of £0.10 Ordinary shares	£'000
Allotted and fully paid				
At 1 January	**192,968,096**	**19,297**	192,086,775	19,209
Allotted £0.10 Ordinary shares on exercise of employee share options	**458,414**	**46**	881,321	88
At 30 June 2024 / 31 December 2023	**193,426,510**	**19,343**	192,968,096	19,297

During the six month period ended 30 June 2024, 458,414 ordinary £0.10 shares were allotted for cash consideration of £376,000 on the exercise of employee share options (six months ended 30 June 2023: 630,205 ordinary £0.10 shares were allotted for cash consideration of £676,000 and 31 December 2023: 881,321 ordinary £0.10 shares were allotted for cash consideration of £809,000).

	30 June 2023 (unaudited)	
	Number of £0.10 Ordinary shares	£'000
Allotted and fully paid		
At 1 January 2023	192,086,775	19,209
Allotted £0.10 Ordinary shares on exercise of employee share options	630,205	63
At 30 June 2023	192,716,980	19,272

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.

20. Events after the balance sheet date

Since the end of the first half period, Ceres announced its second major manufacturing licence agreement of the year with Denso Corporation and announced a systems licence partnership with Thermax.

Since the end of the period, management has reviewed roles and responsibilities across the company to ensure the business is optimised to accelerate its growth strategy and has implemented a new organisational structure to take it forward. The proposed changes will result in a headcount reduction of approximately 15% in Q4 2024, and also a reduction in the overall cost base by a similar level.

Eric Lakin will step down as CFO and from the Board to be replaced by Stuart Paynter, effective on 1 October 2024.

21. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £1,076,000 as at 30 June 2024 (as at 30 June 2023: £7,710,000 and 31 December 2023: £5,671,000), in respect of the acquisition of property, plant and equipment. The reduction compared to December 2023 is due to termination of a contract to install test assets.

22. Related party transactions

As at 30 June 2024, 30 June 2023 and 31 December 2023, the Group's related parties were its Directors and RFC Power Limited. During the six months to 30 June 2024 one Director exercised 380,424 share options under the Ceres Power Holdings plc 2004 Employees' Share Option Scheme.

The following Directors exercised share options in the year to 31 December 2023:

Date of exercise	Director	Type of options	Total number of options exercised	Weighted average exercise price	Total gain on exercise	Number of shares retained
30 March 2023	Phil Caldwell	LTIP	200,000	£3.463	£672,600	200,000
04 May 2023	Phil Caldwell	Sharesave	4,610	£1.952	£6,602	4,610
07 July 2023	Mark Selby	2004 ESS	2,063	£2.825	£4,066	2,063
12 July 2023	Michelle Traynor	Sharesave	1,844	£1.952	£2,003	1,844
10 August 2023	Clarissa de Jager	Sharesave	7,377	£1.952	£10,284	7,377
03 October 2023	Phil Caldwell	2004 ESS	11,859	£3.204	£27,869	11,859

During the year ended 31 December 2023 two Directors sold 141,313 2004 Employee Shareholder Status (ESS) shares in Ceres Power Intermediate Holdings Ltd and received 92,864 Ceres Power Holdings plc shares in consideration in addition to the linked ESS options as set out in the table above.

During the six months ended 30 June 2023, one Director exercised and retained 200,000 share options under the Company's Long Term Incentive Plan and also exercised and retained 4,610 share options under the Company's employee share save scheme.

Transactions between the Group and RFC Power Limited, being an associated entity of the Group, comprised engineering consultancy services provided by the Group to RFC Power Limited for the value of £410,000 (30 June 2023: £271,000 31 December 2023: £574,000).

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.

	30 June 2024 (unaudited) £'000	30 June 2023 Restated[1] (unaudited) £'000	31 December 2023 (audited) £'000
Operating loss[1]	**(13,757)**	(28,266)	(59,401)
Depreciation and amortisation	**4,612**	4,174	9,126
Depreciation absorbed as part of inventory	**(869)**	–	–
EBITDA	**(10,014)**	(24,092)	(50,275)
Share-based payment charges	**900**	736	67
Unrealised (gains)/losses on forward contracts	**(151)**	(454)	143
Exchange losses/(gains)	**223**	282	(232)
Adjusted EBITDA	**(9,042)**	(23,528)	(50,297)

[1] The restatement to 30 June 2023 is described in Note 1.

Principal Risks and Uncertainties

The Directors have reviewed the principal risks and uncertainties that could have a material impact on the Group's performance and have concluded that there has been a material change from those described in the Ceres Annual Report 2023, which can be found on the Company's website. The new principal risk identified is a cyber risk. The Directors have also determined that the risk of detrimental partner actions has reduced to no longer be considered a principal risk. The principal risks and uncertainties are summarised below:

Principal risk	**There is a risk that…**
Viability of technology	We will not be able to develop and apply the Group's technology.
Operational capability	The Group may be unable to satisfy current contracts and demand.
IP and regulation	The Group's competitive advantage could be at risk from successful challenges to its patents.
Long-term value proposition	The value proposition of our technology may become eroded.
Commercial traction/ Partner performance	Our partners may choose not to use our technology in their products or go to market slower than anticipated.
Partner scale-up/Supply chain	We may not be able to meet the timeframes agreed with our partners for the market launch of the Company's technology.
Cyber security	A cyber-attack or breach of system security could disrupt our operations, cause the loss of, destruction of, or unauthorised access to sensitive IP and trade secrets.
Geopolitical	The Company or our partners may be unable to conduct business in certain geographies, or supply chains become disrupted due to warfare or sanctions.
People and capability	A loss of key personnel or inability to attract required skillsets could negatively impact our ability to innovate and maintain a competitive advantage.
Funding and liquidity	A failure to acquire new customers would impact the forecast cash position of the company, potentially requiring further external funding.

INDEPENDENT REVIEW REPORT TO CERES POWER HOLDINGS PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises 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 and the Notes to the financial statements for the six months ended 30 June 2024.

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the review of the financial information

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

Use of our report

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

BDO LLP
Chartered Accountants
London, UK

26 September 2024 BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).