Ceres Power Holdings plc

Interim Results for the 12 months ended 30 June 2020

STRATEGIC PARTNERSHIPS CONTINUE TO DELIVER COMMERCIAL GROWTH

Ceres Power Holdings plc ("Ceres Power", "Ceres", the "Company" or the "Group") (AIM: CWR.L), a global leader in fuel cell and electrochemical technology, announces its second set of interim results for the 12 months ended 30 June 2020, following the change of year end to 31 December.

Financial Highlights

- Strong progress on major contracts has driven a 21% increase in revenue and other operating income to £19.9m (2019: £16.4m)
- Increased gross profit of £13.8m (2019: £11.5m) at sector leading gross margin of 73% (2019: 75%)
- Adjusted EBITDA loss increased slightly to £6.5m (2019: £5.9m) due to further investment in growth area of electrolysis for hydrogen
- Increased equity investment by Bosch and Weichai, of £49m, supports strong cash and short-term investments of £108m at 30 June 2020
- Order book* of £14m and strong pipeline* of £54m as at 30 June 2020

Operating and Corporate Highlights

- Bosch has commenced manufacturing of Ceres' core cell technology at its pilot facility in Germany
- Weichai 30kW range extender system for electric buses targeting the Chinese market moving into field trials. Some delays in timing due to Covid-19 means establishment of a joint venture in China is now likely to be H1 2021
- Wider deployment of the Group's combined heat and power ("CHP") system in the Japanese market by Miura Co.
- Hydrogen Electrolysis R&D delivering positive results triggers further investment in the technology
- Successful development of Ceres' first zero-emission CHP system designed for exclusive use with hydrogen fuel
- 2MW advanced manufacturing pilot facility built, commissioned and running in Redhill, UK
- Appointment of Warren Finegold as Chairman and Uwe Glock and Qinggui Hao as Non-executive Directors

Covid-19

The disruption from Covid-19, coinciding with the commissioning of our new facility at Redhill, has meant that some revenues have been deferred from this reporting period. Nonetheless, we have delivered a solid set of results, with continued revenue growth through good progress with our customer programmes and increased manufacturing output; a huge credit to the entire Ceres team.

Phil Caldwell, CEO of Ceres Power commented:

"The urgency for climate action continues to drive the global demand for clean energy technologies, and our strategy of licensing to global partners, with a leading position in their products and markets, continues to be highly successful.
"Despite the disruption from Covid we have delivered a solid set of results, with continued revenue growth and sector leading margins. This is driven by good progress with our customer programmes and increased manufacturing output thanks to the hard work of the entire Ceres team.

"Trading since the period end has remained strong with good commercial progress with our partners globally. Bosch has now installed prototype products of its 10kW system utilising Ceres' technology at five locations in Germany while, despite an initial delay in the early part of 2020 due to the pandemic, good progress is now being made to validate Ceres' technology for transportation applications with Weichai's SOFC team in China.

"These developments, combined with the opportunities from our new, long term growth areas of electrolysis for hydrogen, mean that Ceres is very well positioned to build on the strong momentum generated during the period as we look to play our part in delivering clean energy technology to enable a net zero future."

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

Financial Summary:	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Total revenue and other operating income, comprising:	**19,942**	16,365
Licence fees	5,841	7,412
Engineering services revenue and provision of technology hardware	13,056	7,888
Other operating income	1,045	1,065
Gross margin %	**73%**	75%
Adjusted EBITDA loss [1]	**(6,519)**	(5,881)
Operating loss	**(10,081)**	(7,924)
Net cash used in operating activities	**(5,442)**	(3,058)
Net cash and short-term investments	**107,981**	71,267

1 Adjusted EBITDA loss is calculated as the operating loss for the 12 months ended 30 June 2020 of £10,081k (2019 - £7,924k) excluding depreciation charges of £2,683k (2019 - £1,025k), share-based payment charges of £873k (2019 - £909k), unrealised gains on forward contracts of £40k (2019 - £42k loss) and exchange losses of £46k (2019 - £67k). Management believes that adjusted EBITDA loss provides a better understanding of the underlying performance of the Group by removing non-recurring, irregular and one-off costs.

Analyst Presentation

Ceres Power Holdings plc will be hosting a live webcast for analysts and investors today at 09.30 (GMT). A link to the webcast will be made available on the Ceres website: www.ceres.tech or can be accessed directly here: https://kvgo.com/IJLO/CERES_Interim_Results_2020

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

Dial: +44 (0) 20 3003 2666

For further information please visit www.ceres.tech or contact:

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About Ceres Power

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

Chief Executive's Statement

I am very proud of our continued progress in 2020 and the way our people and the business as a whole have responded to the social and economic shock of Covid-19. While employees' health and safety remains our priority, the day-to-day challenges have only highlighted the resilience and adaptability of our business and we are focused on our purpose of developing clean energy technologies that address climate change. We are convinced more than ever that Ceres has the technology, the people and the capability to commercialise technology that the world needs to realise a net zero future. Hence, this year we are continuing to invest in our core fuel cell business that helps to decarbonise power generation and transportation, and also expanding into new areas such as electrolysis for the production of hydrogen which are key to decarbonise society.

Despite the challenging business environment, we continue to deliver top line growth with revenue and other operating income up 21% to £19.9m (2019: £16.4m) reflecting strong progress in major contracts and delivering sector leading gross margins of 73% supported by our licensing business model. A further equity injection of £49m from Bosch and Weichai since January has supported a strong cash position of £108m at 30 June 2020, giving us confidence to increase strategic investment in the business to grow future value. We are pleased to have Bosch alongside Weichai as commercial partners as well as significant strategic investors.

It is testament to the talents and hard work of our teams, and to the support of our partners and suppliers, that we have continued to progress customer programmes and to ramp up manufacturing output at our new Redhill facility, despite the impact of Covid-19. We have reduced the number of people on site to only those essential to maintain operations while those employees who are able to do so continue to work remotely. We have not needed to make use of the government furlough scheme and indeed we have continued to recruit new employees throughout 2020 to meet the increased demand for Ceres' technology. Notwithstanding current restrictions on travel, we continue to find ways to work effectively with commercial partners. There has been some impact on the supply chain due to market disruption and the speed at which Ceres and our customers are able to work. However, we are managing these well and continue to monitor and remain responsive to the changing dynamics of the situation.

If anything, the pandemic has brought into sharp focus the need for strong and sustainable growth to drive the global recovery and the EU and Germany have followed the lead of countries such as Japan and South Korea in setting out ambitious targets around hydrogen and fuel cell deployment. Ceres is well-placed, with a scalable technology and strong commercial relationships in these key markets, to deliver significant value over the coming months and years.

Commercial

As at 30 June 2020 our order book stood at £14m and we had a further £54m pipeline, being a combination of staged licensing payments and engineering services. As an asset-light, licensing business we have historically signed around one to two new licenses per year with a blend of upfront license payments and engineering revenues delivering strong gross margins.

Bosch

During the last 12 months, it has been very encouraging to see Bosch's progress with the deployment and profiling of Ceres' technology. Bosch has become the first partner to successfully manufacture our core cell technology under licence and is now manufacturing cells for its own stacks and systems in Germany. We view Bosch's decision to increase its investment in Ceres in January 2020, from 4% to 18% of the enlarged issued share capital, as a strong signal of its intention to move towards future scale up to high volume manufacture of the SteelCell®.

Bosch started trialling its 10kW units in 2020 and in July this year officially opened a fuel cell power installation, consisting of three solid oxide fuel cell (SOFC) devices utilising Ceres' technology, to meet most of the energy requirements of one of the buildings at Bosch's Wernau training centre in Germany. Additional SOFC pilot schemes for testing and validation are located at other Bosch locations in Germany. Bosch has stated its intention that the Group's locations will no longer leave a carbon footprint worldwide from 2020.

The 10kW Bosch 'power station', based on two 5kW SteelCell® stacks, was showcased to more than 10,000 attendees at Bosch Connected World in February 2020. The 10kW unit, which can operate biogas or natural gas and blends of hydrogen, provides a technology that is highly complementary to today's energy infrastructure, is hydrogen ready for the future, and can form a critical building block of a future zero carbon economy. In April, Bosch announced that it anticipates the market for the fuel cell power stations to be worth more than 20 billion euros by 2030.

In June, we were pleased to announce the appointment of Mr. Uwe Glock as a Non-Executive Director on the Board of Ceres. Mr. Glock is Chairman of the Board of Management of Bosch Thermotechnik GmbH and brings over 35 years of experience from across Bosch Mobility Solutions and Energy and Building Technology - Worcester Bosch in the UK is part of the Bosch Thermotechnik division. His appointment increases Ceres' exposure to the Bosch organisation and brings significant value through Mr. Glock's leading role in the wider German and European energy and building industry.

Weichai

Having successfully developed a world-first 30kW solid oxide fuel cell ("SOFC") prototype range extender for electric city buses running on compressed natural gas, the team moved on to the second iteration of the design at the end of 2019. This is currently being built into a fleet of five buses which are undergoing trials in China. There were some delays to the project in the early part of 2020 due to the pandemic which will delay completion of these trials by up to six months, but Weichai's SOFC team with support from Ceres has been back at full capacity for some time and good progress is now being made to validate the Ceres technology for automotive applications.

The delay in completing these trials means there will be some impact to the timing of the establishment of a fuel cell manufacturing company in Shandong Province, China, to manufacture SteelCell® SOFC systems. As previously disclosed, the joint venture is intended to provide a staged path to high volume manufacturing potentially for buses, commercial vehicles and other markets in China.

Following the decision in January 2020 by Bosch to increase its stake in Ceres to 18%, Ceres viewed it very positively that Weichai exercised its own non-dilution rights and has invested a further £11 million to maintain its equity stake at 20%. We have also welcomed a new Weichai representative to the Board of Ceres, the Investment Director of Weichai Power's parent company Shandong Heavy Industry Group Co., Ltd., Mr. Qinggui Hao.

Doosan

In July 2019, Ceres signed a collaboration and licensing agreement with Doosan, to jointly develop SOFC distributed power systems, initially targeting the South Korean commercial building market. The agreement, worth £8 million over two years, includes licensing, technology transfer and engineering services to develop a low carbon 5-20kW power system.

South Korea is an important market for Ceres and Doosan boasts the number one position in the stationary fuel cell market globally. We are looking to expand our collaboration with them to access broader applications within South Korea and internationally.
South Korea benefits from extremely progressive regulation and targets that encourage the deployment of hydrogen and fuel cell technology.

Miura

Following a successful initial market launch of its combined heat and power (CHP) product using Ceres' technology in October 2019, Miura has since announced the establishment of a specialist maintenance team to support its wider deployment in the Japanese market. The system, which is aimed at the commercial building sector, operates on the mains gas supply and captures heat as hot water with an overall efficiency of up to 90%, delivering both major energy savings and a lower carbon footprint. Its long-term deployment will be supported through specialist maintenance teams in metropolitan areas such as Tokyo, Osaka, Nagoya and Fukuoka, to enable quick and quality service to customers. We continue to provide low volumes of stacks to Miura for its commercial product and first products have been running successfully for over a year.

Others

We continue to make good progress with other partners including continuing our collaboration with Honda and will provide further updates as they progress. We are also close to successfully completing our joint development with Cummins and the US DoE of a 10 kW SOFC power system which is undergoing final testing in the USA. However, there are no plans for further collaboration with Cummins at this time.

In order to grow our business at pace we are intending to form a strategic relationship with a global engineering consultancy with engineering services and business development capability, which can enable further opportunities for the Ceres technology in a variety of applications globally. We believe partnering in this way will increase Ceres' ability to scale the business and to enhance the long-term value created from our licensing model.

Manufacturing

Having successfully completed the build of the new advanced manufacturing facility in Redhill in January 2020, the production ramp up was impacted by the timing of Covid-19. A reduced team remained onsite throughout the period and continued to deliver fuel cells to support our customers globally. From early May the full onsite team returned, delivering an outstanding effort to ramp up cell manufacturing output, with record production achieved in June. Further investment in manufacturing capacity is underway at Ceres' Redhill facility which will increase annual production capacity from 2MW to 3MW in 2021.

This facility is a key asset for Ceres in enabling technology transfer of our advanced manufacturing processes and know-how to licensee partners as well as delivering near term volume to customer programmes.

A great example of this was the successful technology transfer to Bosch earlier this year. This was made possible through the close working relationship between the Ceres and Bosch manufacturing teams first in the UK at our new facility at Redhill and then transferring this knowledge to Bosch in establishing its parallel pilot manufacturing plant in Germany, which successfully started production in Q1 this year. This was a key milestone for both companies as it is the first time a third-party partner has manufactured Ceres cell and stack technology under license.

Technology

Fuel cells

As a licensing company, it is imperative that Ceres remains at the leading-edge of its unique solid oxide fuel cell technology, continually maturing existing products and furthering R&D into new applications for customers.

At the beginning of the year, we announced further investment in the development of higher power systems, and the associated investment in capital for test capability, to meet increased customer demand for high power applications moving from 30kW to 100s of kW in the next few years.

We also continue to focus R&D spend on improving our competitive advantage in power density, cost and product lifetime and remain on track to release the next generation (V6) of our core technology in 2021.

In November 2019, Ceres announced the successful development of its first zero-emission combined heat & power (CHP) system, designed exclusively for use with hydrogen fuel. In initial testing, the system has achieved greater than 50% electrical efficiency, with an overall efficiency of 90% achievable in combined heat & power mode. Ceres' hydrogen CHP is simpler than its existing fuel-flexible system, delivering an equivalent performance with fewer components, a reduced size and up to a 40% unit cost reduction.

Electrolysis

Over the past 18 months there has been significant momentum around the potential for hydrogen and Ceres believes its extremely efficient solid oxide technology has a crucial part to play in a future clean energy economy. Today, around 80% of the cost of producing green hydrogen, that is hydrogen generated from splitting water with renewable sources of electricity, is the cost of input electricity. Ceres believes its unique solid oxide electrochemical technology can deliver tangible value – through the same advantages of robustness, cost, and crucially efficiency, that make it a leader in fuel cells.

In January, we announced that early stage testing on the application of Ceres' technology as a solid oxide electrolyser (SOEC), essentially the process of reversing fuel cells to produce hydrogen and e-fuels from renewable energy, has delivered encouraging results. We believe that it could deliver significant future business opportunities for Ceres and in July, we announced further R&D investment of £5 million in the period to 2021 to develop the deployment of our SOEC technology for hydrogen.

Ceres has a credible path to participate, not only in delivering hydrogen at scale but, also due to the characteristics of higher temperature electrolysers, in utilising waste heat making this technology particularly useful in decarbonising industrial processes such as steel and refineries. Over a quarter of the patents on Ceres' core technology apply equally to its use in SOEC and we have existing manufacturing and test capability that can be deployed to progress SOEC stacks as well as a leading team of electrochemical scientists with over a decade of intimate working knowledge of Ceres' technology. We look forward to providing updates on our progress in due course.

Financial

Following the extension of the Group's accounting period to the 18 months ended 31 December 2020, these interim financial statements are the second set of interim results that the Group has reported in this period.

The business continues to achieve solid commercial growth and we delivered revenue and other income in the 12 months to June 2020 of £19.9m, up from £16.4m in the previous year. The Group delivered an increased gross profit of £13.8m (2019: £11.5m) at a gross margin of 73% (2019: 75%). The gross margin achieved depends primarily on the mix between licence fees and engineering services, and we continue to anticipate that this mix will vary going forwards, based on deal flow.

Adjusted EBITDA loss of (£6.5m) increased from the prior year (£5.9m), reflecting the higher gross profit offset by continued investment in additional resources to support the company's growth. Operating loss increased from £7.9m to £10.1m reflecting the movement in adjusted EBITDA loss as well as increased depreciation, as the new manufacturing plant came onstream during the period.

Loss after tax increased to (£7.3m), from (£4.8m), broadly mirroring the change in operating loss. The tax credit of £2.4m (2019: £2.5m) includes a Research and Development tax credit ("R&D tax credit") of £2.4m which we received in early 2020 and is presented net of withholding tax suffered on foreign revenues of £0.2m.

Net cash used in operating activities (£5.4m) increased from the prior year (£3.1m) primarily reflecting the movement in EBITDA loss and movements in working capital. During the 12-month period we invested £5.6m in capex (2019: £7.7m), mainly relating to enhancing our manufacturing facility. We also invested £2.5m (2019: £1.3m) in intangible assets, primarily in respect of development costs, which we capitalised reflecting our confidence in the commercialisation potential of the technology. As a result, equity-free cash outflow[1] was (£13.4m) (2019: (£11.9m)).

Following the Group's adoption of IFRS 16 from 1 July 2019, right-of-use assets of £4.2m (2019: £nil) have been recognised as at 30 June 2020, relating to lease liabilities of £4.8m, primarily relating to leases of premises. Net contract assets and liabilities increased to £4.3m (2019: £3.2m) primarily due to timing differences between raising invoices and recognising revenue on the Group's long-term contracts.

The Group is well-financed, holding £108m of cash, cash equivalents and short-term investments at 30 June 2020 (at 30 June 2019: £71m). During the last 12 months, our strategic partners Bosch and Weichai invested £49m of new equity shares in Ceres, through the issue of 15.4 million new ordinary shares, reinforcing our existing strong financial position.

[1] Equity-free cash flow is defined as the net change in cash and cash equivalents in the relevant period less net cash generated from financing activities plus the movement in short-term reserves.

Principal risks and uncertainties

There are a number of risks and uncertainties that have the potential to impact the execution of the Group's strategy, as well as its short-term results. The Board regularly reviews the risks facing the Group and these risks are set out in the Annual Report along with mitigations to reduce the likelihood of them occurring and to manage any possible impact. The Directors consider the following risks have emerged or changed since the publication of the 2019 Annual Report.

Covid-19 has emerged and remains a risk to future manufacturing output and the timing of partner programmes principally if in the future our people are not able to access our facilities or our supply chain is disrupted. So far, we have put mitigations in place which have limited any impact to our operations and we have managed the impact on the Group's results for the 12 months ended 30 June 2020 to be relatively small. The risk of a hard Brexit remains and the potential impact to the business is disruption to supply chain and shipments around the end of 2020. We are mitigating this by increasing inventory levels.

An increasing operational risk is that, given recent commercial progress, the Group may be unable to support the scale up of production in our licence partners through supply chain issues, short term supply of stacks or the ability to access key skills and resources. The Company is mitigating these risks by near term expansion of its manufacturing capacity, bringing on new employees ahead of demand and working closely with suppliers. As we progress to mass manufacture, the financial and reputational impact of any issues with product performance at scale are also increasing and we are putting significant focus on product design and maturity. Similarly, as our technology becomes available in multiple applications and geographies there is an increased risk of IP loss or infringement and we are continuing to increase the protection of our IP.

Finally, due to our significant cash reserves following the recent equity investments from our strategic partners, the risk of access to capital is considered to have further reduced as our need for further capital has fallen. This strong financial position, combined with a review of stress-tested cashflow forecasts, provide the Directors with confidence supporting the Group's continued ability to operate as a going concern for the foreseeable future.

Strategy and Outlook

The urgency for climate action continues to drive the global demand for clean and flexible sources of energy. Leading power system and engineering companies are increasing their investments in new and complementary technologies to orientate their businesses towards this purpose. Ceres' strategy of focusing on these blue-chip OEMs, with a leading position in their products and markets, has been highly successful and we continue to build on strong foundations established in Japan, South Korea, Germany and China.

The past 12 months has provided important validation of Ceres' asset-light, licensing model in power generation. We have assembled one of the world's best teams of engineers and scientists working in solid oxide technology, which has allowed us to grow our portfolio of global licensees and applications.

In tandem, we are committed to adapting our technology for further and future applications and at the beginning of the year we announced our initial plan to position the business to include electrolysis. More bullish reports from the Hydrogen Council estimate the market for hydrogen could reach $2.5 trillion by 2050. We believe that the Ceres' SteelCell®, when used as an SOEC, could deliver significant future value for Ceres and we are beginning to invest to ensure we are well-positioned to capitalise on these opportunities.

In the period, we have invested in our organisational structure, research and development activities and in the expansion of pilot manufacturing at Redhill. We see a clear path to mass commercialisation of our fuel cell technology with our partners, and with over £100 million of cash reserves available we have the financial strength to deploy our technology in further applications and geographies.

Despite the current turmoil in the global economy, Ceres has delivered a strong performance in the last 12 months and continued positive trading gives us significant optimism for the outlook and future success of the business. We are proud to be a UK high growth clean technology business and view our purpose, to deliver clean energy for a clean world, as being closely aligned with momentum around the green recovery and as a path to deliver value to our shareholders, our employees and customers, and to the benefit of society as a whole.

Philip Caldwell
Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the 12 months ended 30 June 2020

	Note	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Revenue	3	18,897	15,300
Cost of sales		(5,095)	(3,804)
Gross profit		**13,802**	**11,496**
Other operating income[1]		1,045	1,065
Operating costs	4	(24,928)	(20,485)
Operating loss		**(10,081)**	**(7,924)**
Finance income	5	846	552
Finance expense		(451)	-
Loss before taxation		**(9,686)**	**(7,372)**
Taxation credit	6	2,418	2,538
Loss for the financial period/year and total comprehensive loss		**(7,268)**	**(4,834)**
Loss per £0.10 ordinary share expressed in pence per share:			
Basic and diluted loss per share	7	(4.60)p	(3.43)p

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

1 Other operating income relates to grant income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	30 June 2020 (Unaudited) £'000	30 June 2019 (Audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	8	12,970	9,769
Right-of-use assets	9	4,232	-
Intangible assets	10	3,800	1,322
Other receivables	12	741	741
Total non-current assets		**21,743**	**11,832**
Current assets			
Inventories	11	2,055	1,403
Contract assets	3	1,821	722
Trade and other receivables	12	4,643	4,204
Prepayments and accrued income	13	987	1,497
Derivative financial instrument		2	28
Current tax receivable	6	2,450	2,292
Short-term investments	14	90,782	63,700
Cash and cash equivalents	14	17,199	7,567
Total current assets		**119,939**	**81,413**
Liabilities			
Current liabilities			
Trade and other payables	15	(2,560)	(2,365)
Contract liabilities	3	(1,014)	(3,061)
Accruals and deferred income	16	(3,667)	(1,838)
Lease liabilities	17	(1,026)	-
Derivative financial instrument		(1)	(66)
Provisions	18	(308)	(158)
Total current liabilities		**(8,576)**	**(7,488)**
Net current assets		**111,363**	**73,925**
Non-current liabilities			
Accruals and deferred income		-	(323)
Lease liabilities	17	(3,823)	-
Provisions	18	(1,117)	(992)
Total non-current liabilities		**(4,940)**	**(1,315)**
Net assets		**128,166**	**84,442**
Equity attributable to the owners of the parent			
Share capital	19	17,082	15,277
Share premium		227,430	179,116
Capital redemption reserve		3,449	3,449
Merger reserve		7,463	7,463
Accumulated losses		(127,258)	(120,863)
Total equity		**128,166**	**84,442**

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

CONSOLIDATED CASH FLOW STATEMENT
For the 12 months ended 30 June 2020

	Note	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Cash flows from operating activities			
Loss before taxation		(9,686)	(7,372)
Adjustments for:			
Finance income		(846)	(552)
Finance expense		451	-
Depreciation of property, plant and equipment		2,167	1,025
Depreciation of right-of-use assets		515	-
Amortisation of intangible assets		55	13
Share-based payments charge		873	909
Net foreign exchange (gains)/losses		46	67
Net change in fair value of financial instruments at fair value through profit and loss		(40)	42
Operating cash flows before movements in working capital		**(6,465)**	**(5,868)**
Increase in trade and other receivables		(492)	(1,412)
Increase in inventories		(652)	(3)
Increase/(decrease) in trade and other payables		2,578	(559)
Increase in contract assets		(1,099)	(722)
(Decrease)/increase in contract liabilities		(2,047)	3,061
Increase in provisions		275	299
Net cash used in operations		**(7,902)**	**(5,204)**
Taxation received		2,460	2,146
Net cash used in operating activities		**(5,442)**	**(3,058)**
Investing activities			
Purchase of property, plant and equipment		(5,554)	(7,693)
Investment in intangible assets		(2,533)	(1,288)
Increase in short-term investments		(27,082)	(63,700)
Finance income received		743	193
Net cash used in investing activities		**(34,426)**	**(72,488)**
Financing activities			
Proceeds from issuance of ordinary shares		50,462	77,926
Net expenses from issuance of ordinary shares		(344)	(1,141)
Repayment of lease liabilities		(121)	-
Finance interest paid		(451)	-
Net cash generated from financing activities		**49,546**	**76,785**
Net increase in cash and cash equivalents		**9,678**	**1,239**
Exchange gains/(losses) on cash and cash equivalents		(46)	(67)
Cash and cash equivalents at beginning of period/ year		7,567	6,395
Cash and cash equivalents at end of period/ year	**14**	**17,199**	**7,567**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 12 months ended 30 June 2020

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 July 2018	**10,163**	**107,445**	**3,449**	**7,463**	**(116,938)**	**11,582**
Comprehensive income						
Loss for the financial year	-	-	-	-	(4,834)	**(4,834)**
Total comprehensive loss	-	-	-	-	(4,834)	**(4,834)**
Transactions with owners						
Issue of shares, net of costs	5,114	71,671	-	-	-	**76,785**
Share-based payments charge	-	-	-	-	909	**909**
Total transactions with owners	**5,114**	**71,671**	**-**	**-**	**909**	**77,694**
At 30 June 2019	**15,277**	**179,116**	**3,449**	**7,463**	**(120,863)**	**84,442**
Comprehensive income						
Loss for the financial period	-	-	-	-	(7,268)	**(7,268)**
Total comprehensive loss	-	-	-	-	(7,268)	**(7,268)**
Transactions with owners						
Issue of shares, net of costs	1,805	48,314	-	-	-	**50,119**
Share-based payments charge	-	-	-	-	873	**873**
Total transactions with owners	1,805	48,314	-	-	873	**50,992**
At 30 June 2020	**17,082**	**227,430**	**3,449**	**7,463**	**(127,258)**	**128,166**

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

1. Basis of preparation

On 2 April 2020, the Group announced that it was extending its current accounting period from the twelve months ended 30 June 2020 to the 18 months ended 30 December 2020. As a result, these interim financial statements are the second set of interim results that the Group has reported during this period, following the half-year report for the six months ended 31 December 2019 that the Group announced on 16 March 2020.

The condensed interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies and should be read in conjunction with the annual financial statements for the year ended 30 June 2019. They have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss.

The interim financial information has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union. This report is not prepared in accordance with IAS 34.

The principal accounting policies adopted in the preparation of the interim financial statements are unchanged from those applied in the Group's financial statements for the year ended 31 December 2019. The accounting policies applied are consistent with those expected to be applied in the financial statements for the year ended 31 December 2020.

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

The consolidated interim financial information for the twelve months ended 30 June 2020 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 12 month period ended 30 June 2020 of £7,268,000 and net cash used in operating activities of £5,442,000. At 30 June 2020, it held cash and cash equivalents and short-term investments of £107,981,000. The directors have prepared annual budgets and cash flow projections that extend beyond 12 months from the date of approval of this report. These projections were supported by stress testing forecast cash flows considering the impact of different scenarios including the Group's expectation of the potential future impact of Covid-19 and Brexit. In each case the projections demonstrated that the Group will 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. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2. Changes in accounting policies and standards

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

New standards and amendments applicable as of 1 July 2019

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

- IFRS 16 'Leases'

IFRS 16 – 'Leases'

IFRS16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of this standard is mandatory for accounting periods starting after 1 January 2019.

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

2. Changes in accounting policies and standards (continued)

The group holds leases for premises and IT equipment with lease terms ranging from 6 months - 10 years.

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

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

Leases classified as operating leases under IAS 17

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

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

- Applied a single discount rate to a portfolio of leases with similar characteristics; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate as at the 1 July 2019. This is estimated by management to be 10%.

Impact on the financial statements.

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

As at 30 June 2020 the Group held right-of use assets of £4,232,000 and a lease liability of £4,849,000 (£3,823,000 of which is non-current). The impact on the consolidated statement of profit and loss and other comprehensive income for the 12 months ended 30 June 2020 was an increase to the loss for the financial period of £143,000. Operating costs were decreased by £308,000, relating to additional charges of £515,000 for depreciation and a reduction to rental charges on operating leases of £823,000. Finance expenses of £451,000 were incurred during the period.

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

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

[1] Under the previous accounting policy the lease commitment was disclosed for the non-cancellable element of the lease, that is, until the first break clause. IFRS 16 requires companies to calculate the initial liability on the full lease term, if it is considered to be reasonably certain the break will not be exercised.

3. Revenue

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

Geographical market

	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Europe	8,438	10,553
Asia	9,669	4,441
North America	790	306
	18,897	15,300

Major product/service lines

	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Engineering services and provision of technology hardware	13,056	7,888
Licenses	5,841	7,412
	18,897	15,300

Timing of transfer of goods and services

	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Products and services transferred at a point in time	6,600	7,057
Products and services transferred over time	12,267	8,243
	18,897	15,300

The contract assets and liabilities are as follows:

		30 June 2020 (Unaudited) £'000	30 June 2019 (Audited) £'000
Trade receivables	12	3,787	2,404
Contract assets – accrued income		1,559	306
Contract assets – deferred costs		262	416
		5,608	3,126
Contract liabilities – deferred income		(1,014)	(3,061)
Provision for loss making contracts		(86)	(65)
Provision for warranties		(222)	(93)
		(4,286)	(3,219)

4. Operating costs

Operating costs are split as follows:

	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Research and development costs	16,754	13,799
Administrative expenses	6,529	4,618
Commercial	1,645	2,068
	24,928	20,485

5. Finance income

	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Interest received	646	552
Foreign exchange gain on cash, cash equivalents and short-term deposits	200	-
	846	552

6.Taxation

	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
UK corporation tax	(2,450)	(2,292)
Adjustment in respect of prior periods	(168)	(246)
Withholding tax	200	-
	(2,418)	(2,538)

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

A tax credit has arisen as a result of expenditure surrendered and claimed under the SME and large company R & D tax credit regimes in the current and prior years.

Withholding tax has arisen on license income from China and South Korea.

7. Loss per share

	12 months ended 30 June 2020 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
Loss for the financial period/year attributable to shareholders	(7,268)	(4,834)
Weighted average number of shares in issue	158,072,531	140,956,490
Loss per £0.10 ordinary share (basic and diluted)	**(4.60)p**	**(3.43)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
Cost							
At 1 July 2018 (audited)	2,090	9,311	995	69	348	-	12,813
Additions (audited)	132	1,535	463	-	6,455	12	8,597
At 30 June 2019 (audited)	2,222	10,846	1,458	69	6,803	12	21,410
Additions (unaudited)	542	3,318	320	34	1,154	-	5,368
Transfers (unaudited)	2,958	4,659	-	210	(7,827)	-	-
Disposals (unaudited)	(5)	-	-	-	-	-	(5)
At 30 June 2020 (unaudited)	5,717	18,823	1,778	313	130	12	26,773
Accumulated depreciation							
At 1 July 2018 (audited)	2,028	7,680	839	69	-	-	10,616
Charge for the year (audited)	68	798	159	-	-	-	1,025
At 30 June 2019 (audited)	2,096	8,478	998	69	-	-	11,641
Charge for the period (unaudited)	375	1,520	227	42	-	3	2,167
Disposals (unaudited)	(5)	-	-	-	-	-	(5)
At 30 June 2020 (unaudited)	2,466	9,998	1,225	111	-	3	13,803
Net book value							
At 30 June 2020 (unaudited)	**3,251**	**8,825**	**553**	**202**	**130**	**9**	**12,970**
At 30 June 2019 (audited)	126	2,368	460	-	6,803	12	9,769

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

Assets under construction primarily consist of plant and machinery and leasehold improvements relating to the new manufacturing site which started production in January 2020. Leasehold improvements of £2,958k, Plant and Machinery of £4,659k and Office equipment of £210k relating to the new factory have been transferred to the relevant categories within the period. Leasehold improvements are being depreciated over the life of the lease and other assets relating to the factory are being depreciated over the expected useful life of 7 years.

9. Right of use assets

	Land and Buildings (Unaudited) £'000	Computer equipment (Unaudited) £'000	Total (Unaudited) £'000
Cost			
At 1 July 2019	-	-	-
Additions as a result of IFRS16	4,728	19	4,747
At 30 June 2020	4,728	19	4,747
Accumulated depreciation			
At 1 July 2019	-	-	-
Charge for the period/ year	507	8	515
At 30 June 2020	507	8	515
Net book value			
At 30 June 2020	**4,221**	**11**	**4,232**
At 30 June 2019	-	-	-

10. Intangible assets

	30 June 2020 (Unaudited) £'000	30 June 2019 (Audited) £'000
Cost		
At 1 July	1,335	47
Additions from internal developments in relation to manufacturing site	178	187
Additions from customer and internal development programmes	2,355	1,101
At 30 June	3,868	1,335
Accumulated amortisation		
At 1 July	13	-
Charge for the period/year	55	13
At 30 June	68	13
Net book value		
At 30 June	3,800	1,322

Capitalised development costs are amortised over their useful economic lives of 2-7 years.

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

11. Inventory

	30 June 2020 (Unaudited) £'000	30 June 2019 (Audited) £'000
Raw materials and finished goods	2,055	1,403

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

12. Trade and other receivables

	30 June 2020 (Unaudited)	30 June 2019 (Audited)
Current:	**£'000**	**£'000**
Trade receivables	3,787	2,404
Other receivables	856	1,800
	4,643	4,204
Non-current:		
Other receivables	741	741

13. Prepayments and accrued income

	30 June 2020 (Unaudited)	30 June 2019 (Audited)
Current:	**£'000**	**£'000**
Prepayments	548	523
Prepayments of capital expenditure	-	409
Accrued grant income	439	565
	987	1,497

14. Net cash and cash equivalents, short-term investments and financial assets

	30 June 2020 (Unaudited) £'000	30 June 2019 (Audited) £'000
Cash at bank and in hand	5,431	1,502
Money market funds	11,768	6,065
Cash and cash equivalents	17,199	7,567
Short-term investments (bank deposits > 3 months)	90,782	63,700
Short-term investments	107,981	71,267

The Group typically places surplus funds into pooled money market funds with durations of up to 3 months and bank deposits with durations of up to 12 months. The Group's treasury policy restricts investments in short-term sterling money market funds to those which carry short-term credit ratings of at least two of AAAm (Standard & Poor's), Aaa/MR1+ (Moody's) and AAA V1+ (Fitch) and deposits with banks with minimum long-term rating of A-/A3/A and short-term rating of A-2/P-2/F-1 for banks which the UK Government holds less than 10% ordinary equity.

15. Trade and other payables

	30 June 2020 (Unaudited) £'000	30 June 2019 (Audited) £'000
Current:		
Trade payables	2,332	2,255
Taxation and social security	16	-
Other payables	212	110
	2,560	2,365

16. Accruals and deferred income

	30 June 2020 (Unaudited) £'000	30 June 2019 (Audited) £'000
Current:		
Accruals	2,546	1,838
Deferred grant income	1,121	-
	3,667	1,838
Non-current:		
Accruals	-	323

17. Lease Liabilities

	£'000
Balance as at 1 July 2019	-
Finance leases recognised as a result of IFRS16	4,971
Lease payments	(573)
Interest expense	451
Balance as at 30 June 2020	**4,849**
Current	1,026
Non-current	3,823

18. Provisions

	Property Dilapidations £'000	Warranties £'000	Contract Losses £'000	Total £'000
At 1 July 2019	992	93	65	1,150
Movements in the Consolidated Statement of Profit and Loss and Other Comprehensive income:				
Unused amounts reversed	-	-	(38)	(38)
Increase in provision	125	129	59	313
At 30 June 2020	1,117	222	86	1,425
Current	-	222	86	308
Non-current	1,117	-	-	1,117
At 30 June 2020	1,117	222	86	1,425

19. Share capital

	2020		2019		
	Number of £0.10 Ordinary shares	(Unaudited) £'000	Number of £0.01 Ordinary shares	Number of £0.10 Ordinary shares	(Audited) £'000
Allotted and fully paid					
At 1 July	152,769,812	15,277	1,016,269,193	-	10,163
Allotted £0.01 Ordinary shares on exercise of share options	-	-	6,041,441	-	60
27 July 2018 – Allotted £0.01 Ordinary shares on cash placing	-	-	260,952,296	-	2,609
7 August 2018 – 1-for-10 share consolidation	-	-	(1,283,262,930)	128,326,293	-
Allotted £0.10 Ordinary shares on exercise of employee share options	2,668,580	267	-	926,155	93
Allotted £0.10 Ordinary shares on cash placing (see below)	15,377,050	1,538	-	23,517,364	2,352
At 30 June	**170,815,442**	**17,082**	**-**	**152,769,812**	**15,277**

During the period 2,668,580 ordinary £0.10 shares were allotted for cash consideration of £1,255,791 on the exercise of employee share options. On the 12 March 2020, the Company completed an allotment of 11,888,070 ordinary £0.10 shares in respect of the Bosch strategic investment, announced via the Regulatory News Service (RNS) on the 22 January 2020 for £38,041,824 and on the 15 April 2020 the Company completed an allotment of 3,488,980 ordinary £0.10 shares for £11,164,736 in respect of Weichai exercising its anti-dilution rights, this was announced via the RNS on the 23 March 2020.

20. Contingent liabilities

Contingent liabilities are potential future cash outflows which are either not probable or cannot be measured reliably.

Grants received of £705,000 (2019: £705,000), or an element thereof, may require repayment if the Group generates revenue (net of expenses and reasonable overheads) from the intellectual property created from the grant. In such case, the Group may be liable to pay back the grant at a rate of 5% of the net revenue generated in any one year. The Directors of the Group believe it is unlikely that any of the grants received will need to be repaid.

21. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £2,072,000 as at 30 June 2020 (2019: £1,116,000), in respect of the acquisition of property, plant and equipment.

22. Related party transactions

As at 30 June 2019, the Group's related parties were its Directors and IP Group plc, through IP2IPO Ltd, which held 19.8% of the Group's issued share capital. On 21 May 2020, IP Group plc reduced its holding to 5.1% of the issued share capital, and on 11 June 2020 Alan Aubrey stepped down from his role as Chairman. As a result of Alan stepping down as Chairman, Ceres determined that IP Group plc ceased to be a related party from 11 June 2020. Subsequent to the period end, IP Group plc further reduced its holding to 0.02%.

Alan Aubrey and Robert Trezona will continue to serve in their roles as Non-Executive Directors until 28 September 2020. Transactions with IP Group plc during the period 1 July 2019 until 11 June 2020 amounted to £60,978 (2019: £83,000) comprising primarily of Non-Executive Director fees of £37,912 (2019: £40,000), disbursements and other expenses of £8,065 (2019: £3,000), recruitment fees £15,000 (2019: £20,000), and corporate finance fees of £nil (2019: £20,000).

INDEPENDENT REVIEW REPORT TO CERES POWER HOLDINGS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the twelve months ended 30 June 2020 which comprises the Consolidated Statement of Profit and Loss and Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity.

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

Directors' responsibilities

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the twelve months ended 30 June 2020 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

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

BDO LLP
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