Ceres Annual Report 2023

clean energy starts with

technology

Ceres is a leading developer of clean energy technology, fuel cells for power generation and electrolysers for green hydrogen.

Read more on pages **12–13**

sustainability

Our ambition is to build a sustainable business and make a positive impact on our people, communities, partners and planet.

Read more on pages **18–27**

our people

Our partners come to us for our technology and stay with us for our people: a world-leading team within the solid oxide industry.

Read more on pages **14–15**

Financial highlights

Revenue

£22.3m

23	22.3
22	19.8[1]
21	29.2[1]

Cash, cash equivalents and short-term investments

£140.0m

23	140.0
22	182.3
21	249.6

Strategic highlights

- Bosch's 'power units' based on Ceres' technology received European funding of ~€160 million to support ramp up and mass production
- Doosan's 50MW factory in South Korea has completed factory acceptance testing and installation with commissioning on schedule for 2024
- Second generation stack design has passed critical design review, offering improvements in performance and cost to licence partners
- First megawatt-scale electrolyser demonstrator successfully completed testing in Germany and has arrived at partner Shell's R&D centre in Bangalore, India
- Ended 2023 with a strong cash position and a growing pipeline of opportunities to work with progressive partners

Read more on page **32**

In this report

www.ceres.tech

1. Revenue in 2021 and 2022 has been restated as described in Note 1 to the financial statements.

Ceres' strategy to enable a net zero future

Purpose

Clean energy for a clean world

Our ultimate purpose is to help sustain a clean, green planet by ensuring there is clean energy everywhere in the world

Positioning

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

Read more on page **14**

Goal

Secure new licence partners, targeting a leading market share of the global solid oxide industry

Read more on page **8**

Strategy

Licensing technology leadership	Commercial acceleration	Execution at pace

Read more on page **30**

Our values

- We commit wholeheartedly
- We are creative collaborators
- We pioneer with precision

Stakeholders

We are committed to providing stakeholders with strong disclosure and transparency across all aspects of our business

Read more on page **28**

Reasons to invest

Leading global solid oxide platform technology

We have established a leading technology position in solid oxide fuel cell ("SOFC") power systems, which are being demonstrated at up to 85% efficiency in multiple applications and geographies. Run in reverse as an electrolyser, our proprietary technology generates green hydrogen 25% more efficiently than incumbent lower temperature technologies, such as alkaline and proton exchange membranes ("PEM"). We have committed £100 million to develop our solid oxide electrolyser cell ("SOEC") technology and to demonstrate it at megawatt scale.

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

Strong commercial value proposition

Ceres aims to achieve scale through strategic collaboration with world-leading partners. To date our manufacturing licence partners have committed more than €500 million to manufacturing at scale. We have assembled one of the strongest teams of scientists and engineers in the global industry for power generation and green hydrogen – complemented by a robust and talented management team and Board of Directors.

Read more about our commercial value proposition on page **17**

Solid financial position

Our licensing business model differentiates us from vertically integrated companies, whereby we focus on our strengths in electrochemical technology and innovation and leverage the expertise of our partners to deliver multi-gigawatts of manufacturing scale. We maintain a strong cash and short-term investment balance to invest in maintaining our technology leadership, enabling our licence partners to succeed and ultimately to deliver clean energy solutions at scale and pace.

Read more about our financial position on page **32**

Ceres' technology enabled through global partnerships

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

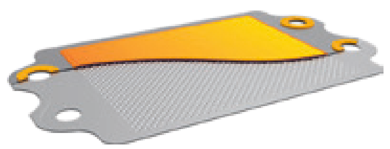
250MW
Announced partner capacity

Zero
CO_2, SO_x, NO_x and particulate emissions when Ceres fuel cell stack operates on pure hydrogen

591
Employees
2022: 570 employees

Our scalable technology

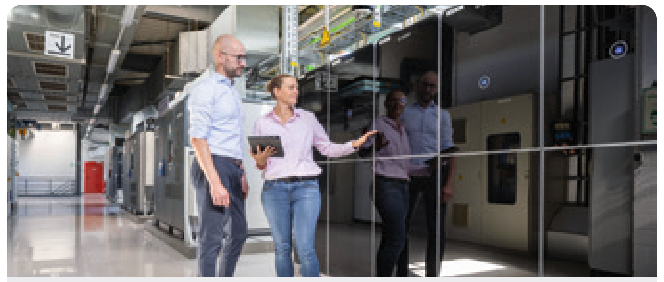
Solid oxide stack
Highly differentiated stack technology platform with strong growing intellectual property and distinct advantages of robustness, efficiency and cost.



Solid oxide cell
Ceres' core cell made with low cost materials: a ceria ceramic electrolyte and a stainless steel substrate and interconnect.

Sustainability credentials

Our technology offerings



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

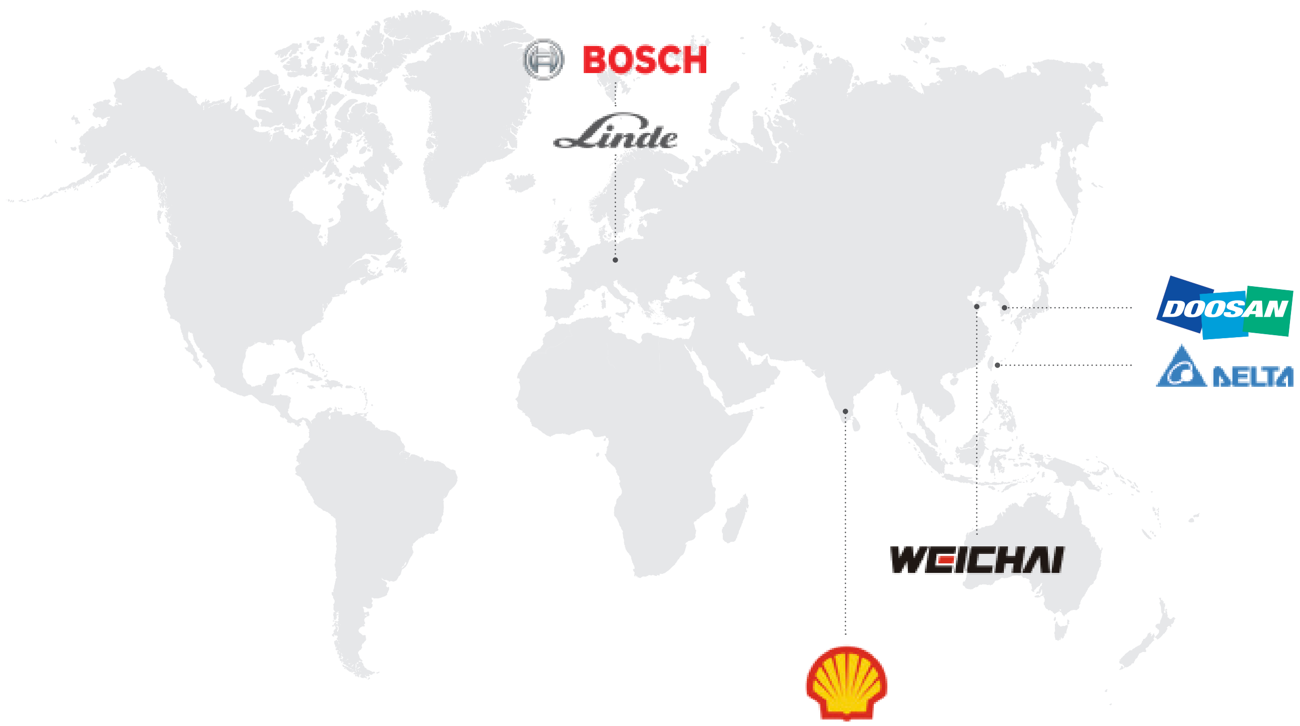
£21.5m
Revenue
(2022: £19.6m)[1]

Ceres hydrogen
A differentiated solid oxide electrolyser cell ("SOEC") for hydrogen, with distinct advantages in efficiency, coupling with high heat industrial processes.

£0.8m
Revenue
(2022: £0.2m)

1. The adjustment in respect of 2022 is described in Note 1 to the financial statements.

Global reach with our partners



> Due to its efficiency and compatibility with industrial temperatures, we believe Ceres can become the de facto standard for hydrogen production for green steel, ammonia and synthetic fuels."

Warren Finegold
Chair

Focused on building a resilient and commercial company

Highlights

- Graduation to the Main Market of the London Stock Exchange in June 2023
- Significant allocation of resources to support the increasing market opportunity for green hydrogen
- First megawatt-scale electrolyser demonstrator passed validation and safety inspection and has arrived at Shell's R&D centre in India
- Strengthening the knowledge and depth of our Board with the addition of three new members

Dear Shareholders,

2023 proved to be a challenging year for Ceres and the wider hydrogen sector as the economic backdrop of high inflation and interest rates and sluggish growth outside North America dampened business confidence. Companies involved in the transition to net zero were also affected by a slowing in the pace of climate change support from governments as they sought to spread the investments needed over longer periods. The interest in our solid oxide fuel cells ("SOFC") was further impacted by the continued high price of natural gas resulting from the Ukraine war. This is the transitional fuel that our fuel cells use until plentiful supplies of hydrogen become available. As a result, our partners have also been developing their fuel cell businesses more slowly and while the construction of the Bosch and Doosan factories is on track, the launch of the commercial products that will generate royalties is expected to take longer. Despite our best efforts we were unable to sign any significant new partners and complete the proposed joint ventures with Bosch and Weichai in China, although our relationship with our strategic partners remains strong.

The strategic decision we took in 2021 to raise capital to invest in the development of our solid oxide electrolyser cell ("SOEC") business now looks to be well justified and we are seeing growing demand for this technology to generate green hydrogen. The International Energy Agency expects the global demand for hydrogen to increase from 1GW to 3,300GW globally[1]. We can already see the increasing opportunity within the hydrogen industry based on the pipeline of interest in our electrolysis technology and we were delighted to sign our first dual electrolysis and fuel cell partnership with Delta Electronics in early 2024. We anticipate continuing licence revenues from new electrolyser partners, which will help to offset the delay in SOFC royalties, and we expect additional royalties to flow from SOEC manufacturing from 2027 onwards. Importantly, our electrolysis technology is based on the same solid oxide cell that is used in our fuel cells. It therefore provides a significant additional market opportunity for our manufacturing partners and should enhance their ability to produce at scale and competitive cost.

Our technical progress in electrolysis has been very pleasing. Ceres' first megawatt-scale electrolyser demonstrator, which began producing hydrogen this year at below 40kWh/kg has arrived at Shell's research and development ("R&D") centre in India, where further validation will take place. This will feed into the design of the optimum architecture for 100MW+ scale system installations, essential to accelerate commercialisation and deliver green hydrogen at the scale and pace required to reach net zero.

Due to its efficiency and compatibility with industrial temperatures, we believe Ceres can become the de facto standard for hydrogen production for green steel, ammonia and synthetic fuels. Our technological progress was recognised during 2023 by the S&P Global Platts Energy Award for Commercial Technology of the Year and the prestigious MacRobert Award for Engineering Innovation.

Strategy and execution

Ceres' 20 years of experience in solid oxide technology has produced a platform technology that is inherently cost effective, robust and scalable. During our annual strategy review, the Board has reaffirmed the opportunities within the hydrogen market over the coming decades. For Ceres to capitalise on this opportunity, we must move quickly and refocus from being a technology company to a commercial company. Accordingly, we are accelerating our SOEC development, allocating more resources towards our SOEC activities, whilst continuing to support our SOFC partners.

We will further strengthen our commercial team with representatives in more markets pursuing opportunities in both green hydrogen and power generation. We have set a clear course to sign new licence partners that will convert into a significant market share for solid oxide green hydrogen.

The Executive management has the Board's full support and confidence in building Ceres into an industry leader.

Board of Directors

This past year has seen several changes to our Board as we welcomed three new members: Karen Bomba, Caroline Brown and Nannan Sun. Karen brings 35 years of experience in positioning innovative companies for growth internationally, which is hugely valuable as Ceres expands its commercial activities globally. Caroline will become the Chair of the Audit Committee, utilising her multinational experience in the financial, technological and industrial sectors. Nannan succeeded Qinggui Hao as the Weichai representative on the Board; she is responsible for product and technology research and development having joined Weichai in 2015. I am pleased to welcome our new Board members, each of whom bring diverse backgrounds and experiences to complement our current membership and to strengthen Ceres' leadership.

My thanks go to Aidan Hughes, who will retire from the Board at our AGM having served as a Director since 2015. Over his nine-year tenure he has brought a wealth of financial and operational experience and has chaired the Audit Committee with great expertise and commitment. We all wish him well in his future endeavours.

Sustainability

Sustainability is key to our purpose and as a growth company, we are on a journey to ensure that long-term sustainable business operations are embedded into the Company in keeping with our commitment to our stakeholders. In June 2023, Ceres graduated from the Alternative Investment Market to the Main Market of the London Stock Exchange. As such, this year's sustainability disclosures include our reporting for the first time against the Task Force for Climate-Related Financial Disclosures outlining the climate-related risks and opportunities facing Ceres. This can be found on pages 22 to 27.

I am pleased to report that the Board-level ESG Committee, of which I am a member, is working very effectively. It is chaired by our Senior Independent Director Julia King with participation from Trine Borum Bojsen and Phil Caldwell. Together we work with leaders across the business to develop and execute on our sustainability goals. For more information on the Committee see page 84 of this report.

Thank you

Energy independence and reducing carbon emissions are both high priorities for communities around the world. Our fuel cells can create decentralised power generation with increased efficiency and electrolysers can decarbonise hard-to-abate sectors with no alternatives. This environment supports Ceres' growth and highlights the potential for our clean energy technology.

While there is much yet to be done, it is also important to celebrate our achievements in 2023. I would like to thank our employees for their hard work and our shareholders for their continued support and reiterate my confidence that 2024 will be a year of significant progress for Ceres.

Warren Finegold
Chair

1. IEA (2023), Hydrogen, IEA, Paris. https://www.iea.org/reports/hydrogen-2156, License: CC BY 4.0.

> "Future demand for electrolysis for green hydrogen production far exceeds supply, stimulating new entrants into the market who need access to the best technology and can scale manufacturing through global supply chains. This ideally positions Ceres for growth as the only company offering access to world-leading solid oxide technology under licence."

Phil Caldwell
Chief Executive Officer

Accelerating the pace of development and commercialisation

Highlights

- Next generation stack technology released to deliver improvements in performance and cost
- Market for green hydrogen is high growth and predicted to be very significant over time
- Focused on top line growth and on managing cash and investment
- Culture founded in science, engineering and individuals who are highly talented and passionate about the Company's purpose

This past year was tough economically, and particularly for the clean energy and hydrogen industries. The Hydrogen Council's December update pointed to "headwinds that have caused a slower development of the global hydrogen industry than had previously been expected". Against the backdrop of increased energy prices and high inflation, many companies delayed investment decisions and share prices were significantly impacted. Ceres was not immune from this wider trend.

We have positioned ourselves to emerge stronger from the recent downturn in the industry. Amidst project delays, regulatory uncertainty and higher financing costs, Ceres has made careful decisions about where to deploy capital and resources, and where to invest for growth based upon where the biggest opportunities present themselves for the future of our business in an evolving global market. In 2021 we made the strategic decision to invest in solid oxide electrolyser cell ("SOEC") technology to access the market for green hydrogen and significantly increase the addressable market for our technology in addition to fuel cells. This has been the right decision for Ceres' long-term strategy, as evidenced by the recent signing of our first SOEC licence partner, and the challenge now is to accelerate our SOEC development while also delivering on our existing solid oxide fuel cell ("SOFC") business.

Progress with fuel cells and existing licensee partners

We have built our business with a focus on our fuel cell technology and on our existing licence partners. In 2023 together with our partner Doosan we completed the factory acceptance testing of all equipment for the highly automated factory at Saemangeum in South Korea. Commissioning is on track to complete in the second half of 2024, and we expect first production of SOFC systems and royalties to Ceres to follow in 2025.

Our partnership with Bosch remains strong and we have developed the next generation stack technology to support scale up of their facility in Bamberg, Germany. Major equipment is being installed in 2024 with support from significant European grant funding of approximately €160 million. However, timelines for products to market have not been supported by the geopolitical backdrop in Europe with sentiment moving away from reliance on gas and high energy prices impacting the economic case. We expect production will be slower to coincide with Bosch's product launch which is still undergoing development and validation of our second generation stack technology in the field in 2024.

Our relationship with Weichai remains strong and they are developing 75kW stationary power units based on the Ceres technology targeting the distributed power market. The planned three-way China joint venture ("JV") has not been concluded in 2023 despite the relationship between Bosch, Weichai and Ceres remaining positive. It is now our belief that the proposed JV is unlikely to be completed in its current form. However, we are evaluating other options with Weichai to address the Chinese market and we will provide an update on our progress at the appropriate time.

Green hydrogen strategy

Over our 20 years of operation, we have made several key strategic transitions as the market has evolved, going from a domestic heat and power product company to a licensing business for power systems and now with the addition of SOEC providing electrolyser technology for green hydrogen production.

License opportunities for SOFC have given us a great foundation, and the market opportunity green hydrogen produced by electrolysis is a high growth market that is predicted to be significantly larger over time.

New licensee partners are now likely to come from the markets for green hydrogen where we are seeing robust future demand for our technology. Therefore, we are accelerating the pace of development and commercialisation of SOEC, whilst ensuring we maintain our leading position in SOFC markets.

Reflecting strong interest in our technology for green hydrogen production, we were pleased to start the new year by signing our first licence partner for both green hydrogen and power generation with Delta Electronics in Taiwan, a global leader in power electronics supplying the information and communication technology industry and operating manufacturing sites globally.

clean energy starts with technology

In January 2024, Ceres signed a global long-term manufacturing collaboration and licence agreement with Delta Electronics for both SOEC and SOFC stack production.

Headquartered in Taiwan, Delta is a global leader in power and thermal management solutions that employs over 80,000 people across approximately 200 facilities worldwide. Delta provides solutions to customers worldwide, across a myriad of sectors including chemicals, energy, transportation, steel and more, with strong ambition for future scale up.

The agreement includes revenue of £43 million to Ceres through technology transfer, development licence fees and engineering services, of which approximately half is expected to be recognised as revenue in 2024. There is potential for additional revenue from the sale of Ceres development stacks to Delta and the agreement also includes royalty payments to Ceres on future commercial production and sale to end customers by Delta. Technology introduction and factory construction will start from 2024 and the initial production by Delta is expected to start by the end of 2026.

We anticipate that licensing revenues from new partners will offset near-term delays in fuel cell royalties and we have confidence at this early stage of the year to approximately double revenues in 2024, compared to 2023, based on existing contracts. In addition to top line growth through near-term licence revenues, we are also managing our cash, directing more of our investment to growing our SOEC business alongside SOFC. Through the licensing model, these in turn translate into longer-term recurring revenues with royalties from electrolyser manufacturing representing additional upside to royalties from our SOFC business.

Market opportunity

We see China, Europe, South Korea and the wider Asian markets being among the largest markets for power generation – areas for which we have good coverage with our existing SOFC licensees and further complemented by the addition of Delta.

Across the global market, we believe that green hydrogen production from SOEC will play an essential role in industrial decarbonisation in order to meet net zero. Hard-to-abate industries such as green steel and ammonia will be the first to develop followed by synthetic fuels.

Ceres' SOEC technology offers distinct advantages of efficiency when coupled with industrial processes where it can utilise waste heat, and so naturally couples with the exothermic Haber-Bosch process used globally to produce ammonia as well as the heat-intensive requirements for steel production.

Many of the top ammonia and steel regions – India, Australia, Europe, the Middle East and North America amongst them – have announced green hydrogen strategies, and several have gone further to publish derivative strategies for ammonia and steel.

In fact, green steel is a product that in the coming years will go a significant way to delivering a low carbon Ceres stack. In a world where traceability is becoming ever more important, soon all products will be measured on their "carbon footprint" and we believe Ceres' technology, which is made from common steel and material sets, will have a significant competitive advantage over technologies which utilise hard to source rare earths and more expensive materials.

> "Our success depends on our ability to be responsive to the changing market and to mature from being a technology-led organisation to one laser focused on commercialisation with some of the world's leading manufacturing companies. Hence, we are building on the foundations of our SOFC business and the experience gained in maturing and scaling our technology, targeting new partners and moving at pace to capture the market."

Image: Shadow ministers visiting our Manufacturing Innovation Centre in Redhill, Surrey.

What is clear is that the future demand for electrolysis for green hydrogen exceeds supply, stimulating new entrants into the market who need access to the best technology and can scale manufacturing through global supply chains. This ideally positions Ceres for growth as the only company offering access to world-leading solid oxide technology under licence. Ceres has moved to place commercial representatives in the US, Asia, Europe and India over the past 18 months, and we will continue to build commercial strength and credibility and consider presence in other markets with the aim to sign new licence partners that will convert longer term into a significant share of the SOEC market for green hydrogen.

Foundation of research and innovation

Ceres has a culture that is founded on science, engineering and individuals who are highly talented and passionate about the Company's purpose – to deliver clean energy for a clean world. We would not be the business we are today without the foundation of research and innovation generated over many years by our industry-leading team.

Technology alone is not enough and our success depends on our ability to be responsive to the changing market and to mature from being a technology-led organisation to one laser focused on commercialisation through global partnerships with some of the world's leading manufacturing companies. Hence, we are building on the foundations of our SOFC business and the experience gained in maturing and scaling our technology, targeting new partners and moving at pace to capture the market.

> "Our technology team is now focused on developing the next SOEC product concept for a 4-5MW modularised system, which is supporting further commercial discussions and will facilitate the deployment of larger installations essential to meet the scale challenge for the decarbonisation of industry."

Deep expertise in solid oxide technology has allowed us to prosecute an ambitious programme for hydrogen over the past 24 months, strengthening our conviction that SOEC offers distinct advantages of efficiency and cost, with potential to reduce capital and operational project costs to produce green hydrogen by 25%.

Our first megawatt-scale electrolyser demonstrator has arrived at our partner Shell's R&D centre in Bangalore, India, where in collaboration with Shell, we will validate the performance, cost and operational functionality of the technology. Our technology team is now focused on developing the next SOEC product concept for a 4-5MW modularised system, which is supporting further commercial discussions and will facilitate the deployment of larger installations essential to meet the scale challenge for the decarbonisation of industry.

The year ahead

Green hydrogen will not be a silver bullet, but it does have an important role to play in the decarbonisation of industry, where it can deliver obvious and economic advantages. Advancements in electrolysis technology, manufacturing economies of scale, design improvements and further reduction in renewable power costs will all make electrolytic hydrogen more viable.

Despite current disruptions in Europe, we believe that natural gas will have a sustained role to play in the decarbonisation of the global energy system, as China and Asia more broadly transition away from dependence on coal. We have strong power partners through Doosan, Weichai and now Delta in the region and when it comes to manufacturing at scale, the Asian economies excel.

We've made a strong start to 2024 with revenues expected to be approximately double that of 2023. We are well positioned for growth with new partnerships as a result of our investment into SOEC for electrolysis. Our SOFC partners are continuing to scale manufacturing and build global supply chains which can service both our SOFC and SOEC markets.

At Ceres we continue to focus on the levers within our control: careful capital allocation, investment in valuable skills and building strong and sustainable partnerships that have ambition to play a meaningful role in our future energy system.

I look forward to providing further updates on our progress over the course of the year and, as ever, we thank you for your support.

Phil Caldwell
Chief Executive

clean energy starts with technology

Ceres has a technology platform for power and green hydrogen that has been developed through more than 20 years of innovation. Over the past two years we have prosecuted an ambitious programme for electrolysis, delivering green hydrogen at <40kWh/kg or 25% more efficiently than incumbent lower temperature technologies.

"Climate change is now, it's not the future. Ceres' advancements in solid oxide electrolysis technology underscore our ability to drive fast, tangible progress in the green hydrogen sector. We have to take chances – and with the significant expertise within our technology team and our track record of building strong collaborations with strategic partners we have the ability to proactively shape the future of clean energy."

Caroline Hargrove CBE
Chief Technology Officer

Green hydrogen programme hits key milestone

Deep expertise in solid oxide technology has allowed Ceres to prosecute an ambitious programme for green hydrogen, now widely accepted as a credible route to decarbonise hard-to-abate parts of the energy system that rely on fossil fuels today.

During 2023 we announced significant initial results from the testing of our first 120kW electrolyser modules, providing confidence that the technology can deliver green hydrogen at <40kWh/kg, around 25% more efficiently than incumbent lower temperature technologies, particularly when thermally integrated with heat or steam.

Our first megawatt-scale electrolyser demonstrator was commissioned in Germany before being shipped to our partner Shell's R&D centre in Bangalore, India. The programme will test the demonstrator alongside other industrial processes on-site with the aim to substantiate the performance, cost and operational functionality of Ceres' electrolysis technology.

To build a substantial and robust hydrogen ecosystem, it is important to consider how the hydrogen will be used, how it will be compressed, how it will be stored and what additional infrastructure is needed. These are the sorts of questions that the demonstrator and our partnership with Shell intend to answer.

Next generation technology

Ceres' core cell technology has matured dramatically in the last ten years with significantly improved new versions being offered to licence partners. Development efforts have seen the power density of technology triple, degradation rates become world class, life projections for products increase significantly, electrical efficiency rise to greater than 60% and most importantly cost projections reduce to be commercially competitive.

Our technology involves cell, stack and system-level architecture and innovation happens in all three areas – but ultimately it is underpinned by a need to improve three factors: power density, lifetime and cost.

As with leading practice in the technology industry, research and development sees us deploy a new generation of the technology every two to three years.

During the year Ceres' second generation design of stacks passed critical design review, a key milestone which offers significant improvements in performance and cost as partners seek to scale up production. Importantly, the release of Ceres' next generation stack technology also lays the foundation for scale-up of electrolyser modules, which will now feed through into feasibility studies for 100MW+ industrial systems underway with industrial engineering partners.

Modular scale-up concept

Ceres is engaged across the hydrogen value chain to activate the market for highly efficient solid oxide technology in hard-to-abate, high temperature industrial processes, such as the production of green steel, ammonia and synthetic fuels, with the potential to reduce the overall capital and operational project costs by 25%.

As well as our partnership with Shell, during the year we signed a two-year collaboration with Linde Engineering and Bosch to undertake an assessment of Ceres' technology for large scale industrial applications.

The International Energy Agency expects the amount of electrolysis needed to meet the 2050 demands for green hydrogen to increase by 3,000 times[1] and hence the Ceres team is focused on the next SOEC product concept for a 4-5MW modularised system, which would facilitate larger scale installations.

Alongside this, we are engaged with global engineering firms to support the design and development of the optimum architecture for 100MW+ scale system installations, essential to accelerate commercialisation and to deliver green hydrogen at the scale and pace required to reach net zero.

1. IEA (2023), Hydrogen, IEA, Paris. https://www.iea.org/reports/hydrogen-2156, License: CC BY 4.0.

Modular scale-up concept

clean energy starts with our people

Our partners come to Ceres for the technology, and they stay for the people. With more than 400 technical experts focused on the research and development of solid oxide cells, Ceres aims to embed these critical electrochemical technologies and achieve manufacturing scale through collaboration with global partners.

"Despite the challenging global backdrop, the urgency for climate action is growing. At Ceres, we are as convinced as ever of the need for collaboration across industry, government and finance to drive the scale and pace that is required for change. Our strategic partnerships have progressed over the years due to the collaborative approach we take, and the Ceres team supports our partners every step of the way to ensure they succeed."

Tony Cochrane
Chief Commercial Officer

Which regions are leading the global race for green hydrogen?

The most evolved regions for green hydrogen are those that started the earliest, such as Europe where significant interest for green hydrogen has been promoted through incentive systems and resulted in project financing at sizeable scale. For example, last summer our partner Bosch received European funding of ~€160 million as an Important Project of Common European Interest ("IPCEI") to support the development and mass production of its solid oxide fuel cell product, utilising Ceres' stack technology.

More recently, there has been a shift towards the US, where the announcement of the Inflation Reduction Act included $369 billion earmarked for energy and climate change policy[1], including some interesting incentives for green hydrogen production.

Other regions are starting to surface, particularly where there is the ability for strong renewables generation through wind or solar assets such as in the Middle East, Australia and Chile. They are not yet as evolved in terms of the projects that are flowing, with the notable exception of Saudi Arabia, but they will have significant generating capacity of green electrons and ultimately the applications that use green hydrogen, for delivery throughout the globe.

Overall, we believe that no one region will win. A project happens in one location while stimulating commercial interest in another. Localised incentive schemes are helping, but increasingly our partners are looking to take global licences that allow them to exploit economies of scale and address the global market opportunity.

Who are the actors in the hydrogen value chain?

Across the hydrogen industry, our approach is to enable companies that play across the value chain – from stack and module manufacturers to system integrators, installers and end users – to adopt and accelerate the path for Ceres' technology.

Ceres is working with offtakers of green hydrogen such as Shell, large project engineering companies like Atkins and hydrogen integrators like Linde all the way through to companies such as our most recent licence partner Delta, a highly advanced manufacturing company with 80,000 people and strong ambitions to lead Taiwan's energy transition.

Delta Electronics global manufacturing licence for SOEC and SOFC stack production

£43m

1. US Department of the Treasury (2022). Treasury announces guidance on Inflation Reduction Act's strong labour protections.
2. IRENA (2023). Towards a circular steel industry. International Renewable Energy Agency. Abu Dhabi.

Ceres is at the very core of that electrolyser solution. We focus on engineering the best possible cells and stacks, licensing the ability to scale high-quality, high-volume stacks for the electrolyser industry that ultimately feeds through to the hydrogen offtakers.

The segmentation of market and everyone playing their role efficiently and effectively is essentially how the licensing model is structured and we believe will be the fastest route to securing global decarbonisation.

Where will green hydrogen be deployed?

Industrial decarbonisation, or using green hydrogen to abate the significant emissions generated by large industries such as steel and ammonia production, is the focus of Ceres' efforts.

Firstly, it has the potential to make a big impact on the global carbon footprint. Steel for example is a product that accounts for around 7% of global carbon emissions[2]. It is used heavily in other industries such as car manufacturing and is under pressure from its downstream customers to decarbonise. As well as regulatory incentives, market incentives are starting to play a strong role in deployment at scale.

Secondly, Ceres' technology is uniquely suited to industrial decarbonisation where its higher operating temperature benefits from thermal integration, or removal of heat from those industrial processes, back into our cells and stacks. This allows us to offer the highest efficiency possible in conversion of electrons into hydrogen.

Projects are big investments, sometimes much bigger than one company's balance sheet. To make a hydrogen project bankable, technology, capital assets, offtake prices, regulatory incentives and cost of capital all come into play. By having technology that offers up to 25% efficiency improvement in converting electricity to hydrogen, our technology contributes significantly to the economics of operating the asset.

How does Ceres support this global scale up?

Our team is laser focused on ensuring that we have the best technology and commercial offering available for existing and potential licence partners. We will continue to acquire new partners with the cost base we have and use our knowledge, expertise and capability to continue to help our partners to scale in markets at pace.

Asset-light licensing business model

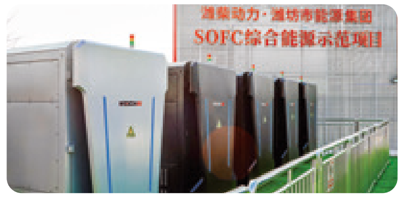
Ceres maintains leading-edge solid oxide technology, electrolysis for green hydrogen and fuel cells for power generation. By partnering with companies with expertise in scaled manufacturing globally, together we bring the ingredients to deliver an energy transition for a net zero future.

Our competences

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

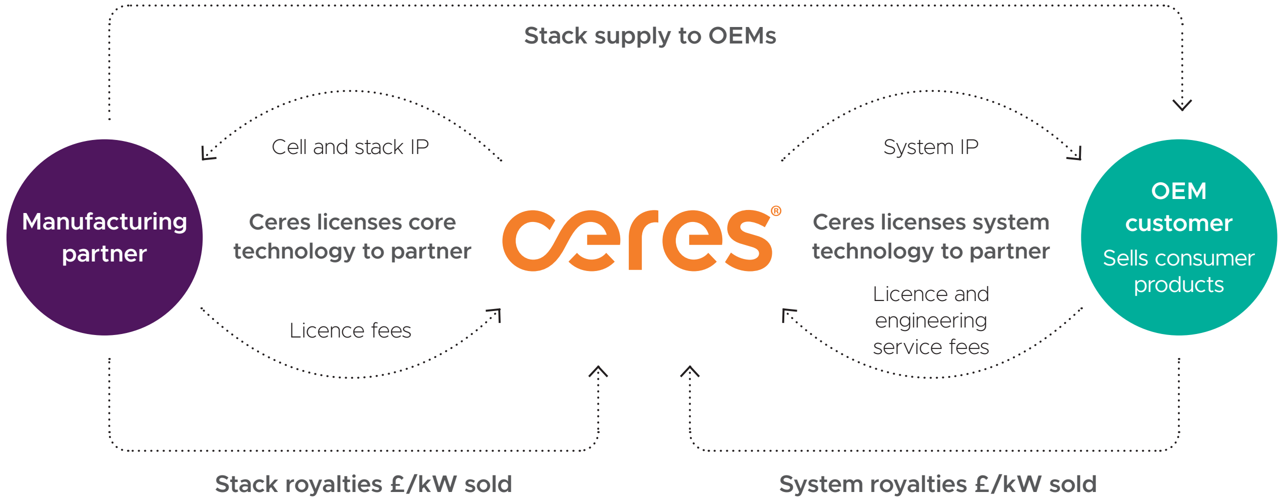
Stay ahead on technology through continuous innovation and investment in R&D.

Enable manufacturing partners to establish global supply to meet this demand.



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

How we create value



How our business model works

Ceres has an asset-light licensing business model that combines engineering excellence with manufacturing precision to build high quality clean technology. Ceres licenses the cells and stack intellectual property ("IP") to manufacturing partners for mass production. Ceres also licenses system IP, into which the stacks are integrated and sold to end markets.

Ceres earns revenue by licensing its technology to new partners, through engineering services, technology hardware to support those partners develop factories for mass production, and royalties. For every kW sold to the end market, Ceres receives a royalty payment, providing high-margin revenue.

Ceres maintains a strong R&D programme to preserve its technological edge while our licence partners provide the industrialisation and manufacturing skills and marketing capabilities required to enter the rapidly evolving landscape of clean energy.

Ceres' value proposition

Highly competitive technology

Ceres' unique, inherently reversible solid oxide technology reduces cost while maximising efficiency resulting in highly competitive total cost of ownership. Utilising commonly found materials, it can be mass produced with a limited carbon footprint.

Access to untapped markets

Ceres offers cutting edge technology, with distinctive advantages of temperature and efficiency – ideally suited to delivering clean, low cost and secure power systems and supporting the decarbonisation of hard-to-abate industrial sectors.

Accelerated market entry

Licensees can leapfrog into markets for power and hydrogen without lengthy research and development, supported by Ceres' team to implement localised supply chains, skills and manufacturing.

Leveraging world-leading R&D resources

Licensees can leverage Ceres' 20 years of research and innovation in solid oxide technology, instead focusing on their own core business strengths in industrialisation, mass production and commercialisation.

Read more on our Board engagement with stakeholders on page **28**

clean energy starts with sustainability

Ceres recognises that operating sustainably is not simply about preserving and improving the environment in which we live, but it is also about ensuring that we make a positive societal contribution and maintain strong governance.

"The ever growing effects of climate change highlight the need to act quickly to change our behaviours to preserve our environment for future generations. Ceres supports the transition to cleaner energy with our fuel cell and electrolyser technology. By building the sustainable operations of our Company with social and governance accountability, Ceres can ensure we and our partners maximise our net-positive effect towards a cleaner world."

Julia King
Non-Executive Director

Sustainability overview

Ceres is right at the heart of the energy transition, expediting the delivery of green energy technology to global partners to support their transition to a cleaner and more sustainable future. Alongside the role our technology plays in enabling the energy system to decarbonise, we are equally committed to embedding sustainability into our operations in line with our values. We have a formal Board ESG Committee to monitor and develop the vision and strategy for the Company in keeping with our own expectations and those of our stakeholders. For more information, see the ESG Committee Report on page 84. The future skills, operational and governance considerations that guide current decision-making processes are being developed to be robust to an uncertain future, but also to enable a better one.

Diversity and inclusion

We believe that having an open and inclusive culture makes for a stronger, more diverse and welcoming company, we call it DEBI for diversity, equity, belonging and inclusion. Our diverse workforce with almost 600 employees includes a wide range of people from students to brilliant scientists and engineers from around 40 countries. We recognise that nurturing and developing our talent is critical to support retention and success. We have invested equivalent to £710 per employee in technical training, leadership training and wellbeing programmes in 2023. We continually seek to improve the gender balance within Ceres, where >34% of new recruits for 2023 were women against a target of 30%. At 31 December 2023, 126 employees were female and 465 were male. For more information, see our Gender Pay Report on our website.

Health and safety

In 2023, the Total Recordable Incident Rate ("TRIR") for the Group was 0.54 per 100 full-time employees, from 0.18 the previous year. Ceres reported one injury under the Reporting of Injuries, Diseases and Dangerous Occurrences ("RIDDORs") regulations year-on-year.

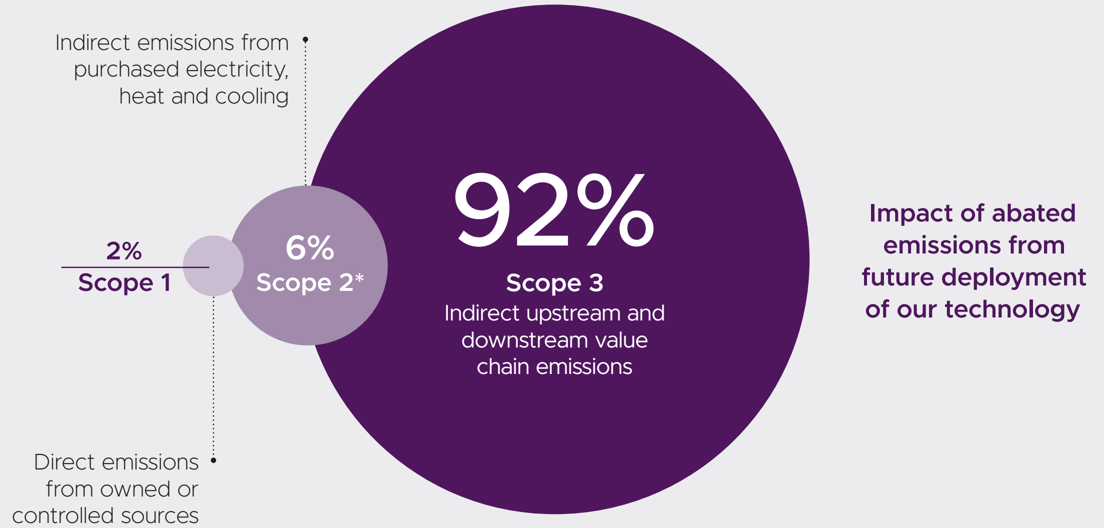
Targeting net zero

At Ceres we enable the decarbonisation of multiple markets by developing highly differentiated technology that scales through global partnerships. Most of our emissions stem from our Scope 3 emissions, which are insignificant compared to the emissions our technology would displace if deployed globally, but Ceres continually implements plans to reduce our impact across all facets of the business.

In addition to the mandatory reporting on sustainability, Ceres produces an extensive Sustainability Report, providing insights into our sustainability strategy, environmental and governance responsibilities and commitment to social matters. The 2022 Sustainability Report is available on the website.

Carbon emissions breakdown

This chart provides a visual breakdown of our Scope 1, 2 and 3 emissions sources. The percentages of each type of emissions are based on 2022 data. Our in-depth Scope 3 emissions analysis for 2023 will be published in our Sustainability Report later in the year.



* Using market-based emissions accounting, our Scope 2 emissions are nil, as our electricity is secured from 100% renewable sources with Renewable Energy Guarantee of Origin ("REGO") certificates.

Our sustainability progress and future goals

Tackling climate change is what drives us; we are committed to enabling a net zero world through our technology. Our aim is to ensure our sustainability strategy keeps pace with this ambition such that we maintain a sustainable business and make a positive impact on our people, communities, partners and planet.

Current actions <1 year	Future actions 1 – 3 years
• Create a Science Based Targets initiative ("SBTi") guided net zero strategy, setting near-term emissions intensity targets. • Task Force on Climate-Related Financial Disclosures ("TCFD") report including initial physical and transition risk reporting.	• Embed circular economy concepts into product design, recycling and reuse targets. • Understand product impact in service with cradle-to-grave and Scope 4 emissions analysis.
• Audit Energy Savings Opportunity Scheme ("ESOS") compliance for energy management. • Assess and reduce waste to landfill.	• Achieve CDP rating on climate change and water security. • Monitor the implications of the Taskforce for Nature-related Financial Disclosure.
• Second annual Gallup 12 employee survey rolled out in summer 2023. • Maturing and reporting of ESG KPIs in annual review of Executive remuneration benchmarking.	• Maintain a diverse and motivated workforce with a culture of collaboration, focused on our mission to deliver "clean energy for a clean world". • Enhance our team's skills for a green transition through growth and training.
• Refreshing of the materiality risk assessment. • Second publication against the Sustainability Accounting Standards Board framework.	• Embed sustainability across our operations, with consideration from design to development through to production.

Goal

Secure new licence partners, targeting a leading market share of the global solid oxide industry.

Enabling significant carbon reduction versus alternative power and hydrogen production methods.

Ceres' ESG pillars

- Science-based climate action
- Processes that support nature
- A green transition that works for people
- Governance enabling the right decisions

Emissions and energy reporting

While our technology will lead to huge carbon abatement and carbon savings, we seek to understand our own direct and indirect emissions relative to our global positive impact.

Below are our SECR emissions reporting for Scope 1, 2 and limited Scope 3 emissions, calculated using the Greenhouse Gas Protocol Accounting. Since 2020 we have been working with a third party, Ricardo, to go above and beyond SECR requirements to develop a more detailed understanding of our Scope 3 emissions whilst ensuring the integrity of our data and the analysis process. The calculation of the remaining Scope 3 emissions to be published later in the year in our Sustainability Report.

In 2022 as Ceres matures our emissions analysis, we began to use a more detailed characterisation of emissions factors by spend type, which superseded the earlier method of spend-based estimation.

Our changes in carbon emissions for 2022 and 2023 are therefore not directly comparable to prior years, but this represents an important step in improving our methods of data collection.

As we grow over the next few years our own emissions will inevitably increase through the investment in extra manufacturing and testing capacity. Nevertheless, we plan to reduce our carbon intensity such as tCO_2e/MW output. We are developing a net zero strategy, guided by the Science Based Targets initiative ("SBTi") for a 1.5°C scenario future. Our net zero strategy will identify improvements that can be made throughout the business such as energy efficiency, material sourcing and operations management to reduce our carbon emissions. We will publish this strategy later this year.

Streamlined Energy and Carbon Reporting ("SECR") for the 12 months to December 2023

SECR emissions

		2021		2022		2023	
Disclosure	Description	Energy (kWh)	Emissions[1] (tCO_2e)	Energy (kWh)	Emissions[1] (tCO_2e)	Energy (kWh)	Emissions[1] (tCO_2e)
Scope 1 Direct emissions	Fuel used in transport and consumption of natural gas[2]	2,168,437	398[3]	2,243,492	411	2,779,434	510[4]
Scope 2 Indirect emissions	Electricity used for operations (location-based method for emissions)	5,481,294	1,164	6,340,242	1,226	6,526,984	1,352[4]
	Electricity purchased and used for operations (market-based method for emissions)	5,481,294	Nil[5]	6,340,242	Nil[5]	6,526,984	Nil[5]
Scope 3 Other indirect emissions	Fuel used in personal vehicles for business travel	50,014	12	69,931	17[6]	104,616	25[6]
Total	**Total SECR carbon emissions (market-based)**	**7,699,744**	**410**	**8,653,665**	**428**	**9,411,034**	**535**
Carbon intensity	**Total carbon emissions for Scope 1, 2 and limited Scope 3 per £100k revenue**		**1.40[7]**		**2.16[7]**		**2.40**

Footnotes: 1. CO_2e calculated from fuel used in company vehicles, electricity purchased and natural gas consumed for ongoing operations, converted to tCO_2e using government-approved conversion factors. 2. Other gas use and emissions from test stands and international travel excluded. 3. Values updated relative to 2021 Annual Report data as SECR reporting refined. Fuel used in personal vehicles previously reported as leased vehicles, thus sitting in Scope 1 instead of the correct Scope 3 emissions. 4. Scope 1 and 2 emissions from UK operations represent 100% (2022: 100%) and 100% (2022: 100%) of Scope 1 and 2 respectively, with no emissions from overseas operations. 5. Starting from October 2020, we secured 100% renewable energy supply until September 2024, certified by TotalEnergies, which assures our energy supply is backed by relevant Renewable Energy Guarantee of Origin ("REGO") certificates. 6. Fuel used in personal vehicles for business travel and downstream in-use emissions as of March 2024. 7. Adjustments to the 2021 and 2022 carbon intensities reflective of their update revenue.

Aligning with TCFD recommendations

In 2023 Ceres commenced reporting against the Task Force for Climate-Related Financial Disclosures ("TCFD") in line with our move to the Main Market of the London Stock Exchange.

The initial process has allowed us to identify potential risks and opportunities that climate change presents to our business, enabling us to prepare better for an uncertain future and ensure that our business strategy is resilient to the significant transition that will be required to achieve net zero.

In this report we have made climate-related financial disclosures consistent with the TCFD's recommendations and Recommended Disclosures pursuant to Listing Rule 9.8.6R(8). The following tables summarise our disclosures and refer to where further detail on climate-related financial disclosures can be found in this report or on our Company website.

In completing this report, we have used the TCFD guidance material including the TCFD technical supplement on the use of scenario analysis, the TCFD Guidance on Metrics, Targets, and Transition Plans, and the TCFD Guidance for All Sectors to cover the four pillars of recommended climate-related financial disclosures.

The ESG Committee believes that we have reported in compliance with eight of the eleven recommendations, with 2(b), 4(a) and 4(c) being partially or non-compliant. We require more detailed data collection and analysis to achieve full compliance in our reporting. With the completion of our net zero strategy and further evaluation of climate-related scenarios and the associated financial planning, we intend to move towards full compliance in the next two years. Each of these recommendations is under development with the intention of publication in future reporting.

Governance	Strategy	Risk Management	Metrics and Targets
Recommended disclosures			
a) Board's oversight	a) Identify climate-related risks and opportunities	a) Risk identification and assessing process	a) Climate-related metrics to assess climate-related risks and opportunities
b) Management's role	b) Impact on the organisation's businesses, strategy and financial planning	b) Risk management process	b) Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks
	c) Resilience of the organisation's strategy	c) Integration into the organisation's overall risk management	c) Climate-related targets and performance against targets

Compliant   Partially compliant   Non-compliant

1 Governance

Disclose Ceres' governance around climate-related risks and opportunities.

a. Describe the Board's oversight of climate-related risks and opportunities.

b. Describe management's role in assessing and managing climate-related risks and opportunities.

The Board is responsible for the Group's risk framework, which includes climate-related risks and opportunities. We have taken steps to formalise the review of ESG risks and actions by the establishment of an ESG Committee of the Board. It meets at least three times a year and otherwise as required. The Chair reports formally to the Board after each meeting (three times per year) on all matters within its duties and responsibilities. For more information on the duties and responsibilities of the ESG Committee of the Board, please see the ESG Committee Report on page 84. The Company's Non Financial and Sustainability Information Statement as required by Section 414CA and Section 414CB of the Companies Act 2006 can be found on page 88 of the Directors' Report.

In addition to the oversight provided by the Board, the Chief Executive Officer chairs an Operational ESG Committee and is responsible for identifying, managing and mitigating ESG risks, with support from other Operational ESG Committee members from across finance, legal, operations, human resources and communications. It meets at least quarterly and the Chair of the Operational ESG Committee also reports to the Board after each meeting to ensure the Board is kept up to date with progress throughout the year. To align decision making and ownership, ESG metrics are included in the KPIs to be met for Executive remuneration. For more information on Executive Directors bonus metrics, see page 76.

2 Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the Company's business, strategy and financial planning, where such information is material.

a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.*

c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Ceres' ambition is to enable the world to transition to cleaner, more sustainable forms of energy and in doing so make big savings in carbon emissions as our partners scale up from the mid-2020s. The growing demand for clean energy technologies creates a strong business opportunity for Ceres, but changing political landscapes and legislation may also create market uncertainty and Ceres is alive to the potential for higher operating costs due to the constraint on critical skills, resources and materials.

Alongside the role our technology plays in enabling the energy system to decarbonise, Ceres seeks to act sustainably in decarbonising our own business. In 2023 we hosted an Energy Savings Challenge, where scientists and engineers from across the business brainstormed more than 40 initiatives to reduce energy consumption in our operations. Eight of these have been implemented and the remainder have been recorded for potential future action. Failure to meet stakeholder expectations on ESG obligations is considered a reputational risk for the business. This is addressed through the Company's strategic planning and ESG priorities. In 2024, Ceres will publish a science-based carbon reduction pathway in line with SBTi guidance.

The ESG Committee has assessed the potential severity of risks and the possible benefits of the opportunities with the aim of minimising the impact of risks and addressing opportunities. Given our focus on research and development, small operational footprint and licensing business model, we do not believe Ceres has actual short-term climate-related risks. Potential risks are likely to become meaningful over the medium (2030) and long-term (2050) as Ceres' partners scale operations globally. In our analysis, we used three climate scenarios to model the resilience of the business against our identified potential risks. These were analysed in agreement with our Corporate Risk Management process and were not deemed material or requiring action to increase the resilience of our strategy at this time.

For further details on the climate-related risks and opportunities that may impact Ceres' business, please refer to the scenario analysis on pages 26 to 27 of this report.

* Not yet compliant in reporting for these metrics.

3 Risk management

Disclose how Ceres identifies, assesses and manages climate-related risks.

a. Describe the organisation's processes for identifying and assessing climate-related risks.

b. Describe the organisation's processes for managing climate-related risks.

c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Climate change is a key risk, and a cross-disciplinary ESG risk register has been compiled by the Executive and management team. The register spans areas covering ESG issues, with each focusing on a shifting landscape over various time periods. Each risk is assigned a severity, probability of occurrence and impact on the business and Group with proposed responses and analysis of post-mitigation severity.

The risk register is reviewed by the ESG Committee and significant risks referred to the Audit Committee for inclusion in the Board-level risk register. All risks with a high impact are raised to the Board and considered in step with the business, strategic and financial planning. In addition, a materiality analysis is conducted by the ESG Committee every two years to identify and prioritise material ESG issues through engagement with various stakeholders.

Existing and emerging regulatory requirements related to climate change are considered in both our response as a business but also with regard to opportunities for the business. For example, changing legislation on air quality and emissions is driving the move towards the adoption of greener technology solutions.

Climate adaptation risks are also considered at a site level. Integrated Management Systems ("IMS") cover the business' main sites, our Technology Innovation Centre in Horsham and Manufacturing Innovation Centre in Redhill, and host ISO9001 and ISO14001 management systems. Each site is audited externally or internally (every three years). We have also sought to collaborate with the licensee partners and understand their mitigation and adaptation plans for their key manufacturing sites for our technology.

With regard to the supply chain, sustainability risks (including natural and climate-related hazards) are embedded into supplier risk assessments. This process enables the definition of risk mitigation action plans with suppliers, as well as prioritising multi-sourcing strategies. The Company continually monitors events and critical supplier locations to shorten reaction time and minimise business impact.

4 Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.

a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes.*

b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.

c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.*

Metrics to assess climate-related risks and opportunities include climate risk and environmental profiling data including life cycle analysis, energy use and carbon emissions intensity. Each year, Ceres discloses our greenhouse gas ("GHG") emissions for Scope 1, 2 and limited Scope 3 SECR emissions reporting. Starting in 2022 we have provided spend-based data for additional Scope 3 emissions covering our full value chain. A full disclosure of Scope 3 emissions for 2022 is available in our sustainability report and our full Scope 3 emissions for 2023 will be published later this year in our Sustainability Report.

Ceres is targeting net zero, and to do so we are first improving our GHG emissions data collection process and data quality. We engage with Ricardo Energy & Environment, which verifies that our Scope 1, 2 and 3 data sources and calculations are robust, where we currently use a manual process to collect, categorise and calculate our emissions using the spend-based methodology in alignment with the Greenhouse Gas Protocol Accounting and Reporting Standard and Scope 3 guidance documents and in accordance with ISO 14064-1.

To enable a successful net zero strategy, we will need to focus on high impact hotspots of our emissions. As we improve our emissions calculation process and the granularity of our data, we can create emissions reduction pathways such as the purchasing of green steel to produce our fuel cells. Since our supply chain constitutes a large proportion of our emissions, supply chain engagement and sustainable procurement will play a key role in meeting these targets. In the future we will pair up more accurate and specific emissions calculation methods with our ongoing life cycle assessment work, to identify more clearly where emissions reductions can be achieved and to improve the accuracy of our reporting.

* Not yet compliant in reporting for these metrics.

Scenario analysis

Ceres has analysed climate-related risks and opportunities that may impact our business operations. In accordance with TCFD guidelines, the risks are differentiated as transition or physical risks, with impacts assessed across three different scenarios over the medium and long term, to 2030 and 2050. This aligns with our proposed approach to developing a net zero strategy with guidance from the Science Based Targets initiative. Below are the three possible temperature scenarios under assessment.

- 1.5°C scenario – Limiting global temperature to 1.5°C would require strong policy implementation from governments to enforce emissions reductions, with likely variation across industries. This would result in swift adoption of new clean technologies and significant penalties for non-compliance.
- 2.0°C scenario – This scenario would result in more moderate adoption of new clean technologies, but would be supported with greater use of carbon-removal technologies. Legislation would be introduced early and become more globally consistent and binding over time.
- +3.0°C scenario – The current policies of global governments are not aggressive enough to adequately limit global temperatures and are projected to result in a global temperature increase of more than 3°C.
- This scenario is likely to result in significant physical risks, with potentially greater impacts on global operations and supply chains.

Ceres aims to embed our technology with global partners, who then design and manufacture products and systems at scale for various applications and geographies. From our base in the UK, Ceres focuses on innovation and R&D, transferring technology under licence. Hence, this first disclosure of scenario analysis reflects this business model and small asset footprint, and represents a high level assessment of the climate risks and opportunities to Ceres as it stands today.

As partners adopt our clean energy technology and build global capacity and scale, Ceres will seek to disclose our climate-related risks and opportunities with greater detail and accuracy. Scaling technology comes with an environmental cost, likely to be reflected in our analysis of climate related risks, but any increase in the environmental impact of Ceres' own footprint is likely to be significantly outweighed by the impact our technology will have on the world's ability to decarbonise.

Process to date

Assess the potential climate-related risks and opportunities that may impact Ceres in alignment with the TCFD guidance.	Identify the potential impact of each risk and opportunity under three possible warming scenarios using Ceres' existing Company risk register, with the Operational ESG Committee providing perspective from across operations.	Validate the potential impact with the ESG Committee of the Board and update as needed.

Next steps

Improve the robustness of assessing potential risks and opportunities and integrate into the risk management and strategy as business as usual. Build upon understanding with net zero strategy development and financial planning.

Opportunities for the energy transition		Scenario	2030	2050	Ceres' opportunity
Policy incentives and capital allocation for scaling of clean energy technologies	Increased funding from public sector and investors to accelerate scaling up of fuel cell and hydrogen technologies	1	High	High	Ceres indirectly benefits from global partners accessing government funding, e.g. Bosch recently received €160 million of European support for its SOFC manufacturing
		2	Moderate	High	
		3	Low	Moderate	
Technology revolution to support the energy transition, requiring huge amounts of renewable energy and green hydrogen	Prosecute our licensing model to deliver clean energy technology that bridges molecules and electrons	1	High	High	Green hydrogen is predicted to require 3,300GW[1] of electrolysis in 2050, representing a $1.4 trillion market[2]
		2	Moderate	Low	
		3	Low	Moderate	

1. IEA (2023), Hydrogen, IEA, Paris. https://www.iea.org/reports/hydrogen-2156, License: CC BY 4.0.
2. Deloitte News (2023), New Deloitte report: Emerging green hydrogen market set to help reshape global energy map by end of decade, creating US$1.4 trillion market by 2050, News Deloitte report.

Scenario analysis continued

Risk			Impact on Ceres' business	Scenario	2030	2050	Ceres' actions
Transition risks	Policy and legal	Increased regulations and pricing on GHG emissions	Greater costs associated with emissions reduction, monitoring and reporting obligations	1 2 3	🟡 🟢 🟢	🟡 🟡 🟢	• Pursue carbon abatement through SBTi guided carbon reduction pathway • Set clear strategy to reduce the carbon footprint of our business • Assess carbon intensity of supply chain through Scope 3 emissions assessment
Transition risks	Market	Global economic and physical disruption increasing cost and availability of resources	Higher operating costs due to increased price and reduced availability of critical skills, resources and materials	1 2 3	🟡 🟢 🟢	🟡 🟡 🔴	• Engage with supply chain on climate-related and sustainability risks • Procurement strategy to ensure multiple sources of key materials • Integrate implication of climate change into development of assets and partners • Building our skills pipeline for a green energy future
Transition risks	Policy and legal	Changing geopolitical landscape and legislation	Incompatibility with our technology resulting in reduced production and royalties or limited opportunity for growth	1 2 3	🟡 🟡 🟢	🟢 🟢 🟢	• Continuing evaluation of global climate regulation and policy landscape • Monitoring of changes in global sustainability regulations • Engagement with government to understand expectations and directives
Transition risks	Reputation	Enhanced emission reporting obligations	Lack of transparency and adherence could limit access to financing while threatening a strong and sustainable stakeholder base	1 2 3	🟡 🟡 🟢	🟢 🟢 🟢	• Transparent disclosure of ESG performance • Include cost of carbon in forward financial planning • Strong governance and investor relations communication
Transition risks	Technology	Uncertainty in market signals due to cost to transition to lower emissions technologies	Slower than expected take up of new technologies and decarbonisation due to macro factors, cost concerns, security of supply, etc.	1 2 3	🟡 🔴 🔴	🟢 🟢 🟡	• Stay at the leading edge of innovation, with a focus on cost, life and durability • Flexible technology that meets emissions standards for multiple applications and geographies • Horizon scanning for further and future technologies beyond solid oxide

Risk			Impact on Ceres' business	Scenario	2030	2050	Ceres' actions
Physical risks	Acute	Increasing frequency of severe climate events	Impacts on production plants or their suppliers thus resulting in lost royalties. Increased cost of insurance for physical assets	1 2 3	🟢 🟢 🟡	🟢 🟡 🔴	• Strong business continuity planning • Diversification of licence partners • Diversification of applications and geographies
Physical risks	Chronic	Increasing temperatures affecting working environment and natural resource availability	Increased capital and operations costs to maintain product quality, e.g. water scarcity and power supply disruptions	1 2 3	🟢 🟢 🟡	🟢 🟡 🔴	• Integrate implication of climate change into asset and site resilience • Collaboration with partners on development of manufacturing sites • Build strong and localised supply chains

Legend for the climate-related risks table:

🟢 Low financial risk

🟡 Moderate financial risk

🔴 High financial risks

Scenario 1:
Strong policy induction limits global temperatures to 1.5°C

Scenario 2:
Moderate adoption of new clean technologies results in 2°C temperature rise

Scenario 3:
Current policies of global governments are not aggressive enough, resulting in +3.0°C temperature rise

For more insights into our sustainability strategy, environmental and governance responsibilities, and dedication to social matters, read our 2022 Sustainability Report: ceres.tech/sustainability

Statement by the Directors with regard to their duties under Section 172(1) of the Companies Act 2006 for the year ended 31 December 2023.

Section 172(1) imposes a duty on Directors to act in a way most likely to promote the success of the Company whilst having regard to its many and varied stakeholders. The Board is responsible for the long-term sustainable success of the Company as a whole and inextricably linked to this success are the views and needs of its stakeholders.

The Board believes that it has at all times acted in a way that it considers, in good faith, would benefit the Company as a whole. It has considered the views of stakeholders in its decision making and has had regard to the need to foster the Company's business relationships with suppliers and other commercial partners.

Engagement with different stakeholder groups is undertaken in various ways. Our stakeholders, together with the mechanisms of engagement used during the year and the ways in which the Board has taken their views into account are set out on these pages.

How we engage

Stakeholder	Priorities	Engagement mechanisms 2023
Shareholders	Understand and have confidence in the strategy, performance, culture and governance Build strong relationships and ensure their views are heard	• Annual General Meeting • RNS and press announcements • Face-to-face meetings and calls • Capital Markets Days and webcasts • Digital channels • Investor events • Annual Report
Commercial – suppliers and partners	Align to, understand and benefit from the achievement of the strategy Be part of an ecosystem to support the achievement of the Company's goals	• Regular engagement across the Company, including commercial operations and technical programmes • Company representatives located globally • Independent surveys or discussions • Use of the advanced supply chain verification and tools
Internal – employees	A great place to work Opportunities to progress their career	• Monthly All Hands meetings • All-employee off-site events • New-joiner lunch with CEO • Employee share schemes • Employee surveys and feedback • Roundtable lunches with the Chair of the Board • Employee Engagement Director • Employee Forum Connect
Wider society	To see positive social and environmental impacts	• Community initiatives, such as Reimagine in collaboration with STEM Learning UK • Website and public reporting • ESG reporting and accountability
Industry	Participation and collaboration with studies and technological advancements	• Participation in industry conferences • Publication of white papers and thought leadership • Membership of industry bodies and associations • Collaborations with academic and research institutes
Regulators/legislators/ government	Compliance with all relevant legislation	• Forums, meetings and conferences • Board updates on relevant changes in legislation, regulation, and best practice • Retention of advisers and consultants where appropriate

Key decisions and outcomes

Main Market listing

As set out on these pages, the Board approved the Company's move up to the Main Market of the London Stock Exchange which took effect on 29 June 2023.

Key stakeholders considered:

Strategy

The Board approved the refocussed strategy for the business in the latter part of the year. Discussions covered all aspects of strategic thinking including the impact on all stakeholders of the business. Ensuring the business has a long-term sustainable future safeguards the interests of all stakeholders.

Key stakeholders considered:

ESG targets into Executive remuneration

Shareholders wanted to see more ESG specific targets in Executive remuneration packages. The Board approved the new bonus targets for the Executive Directors and Executive Committee members which included specific social and environmental enablers. More information on the bonus structure can be found in the Directors' Remuneration Report on pages 63 to 83. Including these targets created an additional layer of accountability in terms of our environmental and social goals and reflected the Company's purpose appropriately.

Key stakeholders considered:

Code of Conduct & Business Ethics

The Board approved a refreshed Code of Conduct & Business Ethics (the "Code") in the latter part of the year. The Code provides an overarching approach to compliant and safe behaviour with clear signposting to relevant policies and documents to help employees navigate their day-to-day working lives. Employees have clarity on how they should operate and who and where to go to for help and advice.

Key stakeholders considered:

Refreshed policies

In advance of the move up to the Main Market of the London Stock Exchange, policies were reviewed and refreshed to ensure they reflected best practice and set out a solid foundation upon which the business could operate. Revised policies approved during the year included Share Dealing; Anti-Bribery and Corruption; Conflicts of Interest; Diversity, Equity, Belonging and Inclusion; Tax; Charitable Giving and Volunteering; Additional External Appointments; and Treasury. The policies were published on the Company's shared intranet and clearly communicated to the business. All policies were reviewed to ensure they communicated the key points in a succinct and clear manner to enable employees to easily understand the expectations placed upon them.

Key stakeholders considered:

Modern Slavery Statement

The Board again approved the Modern Slavery Statement for 2023 which can be found on the Company's website. The Board remains firm that modern slavery in all its forms is not to be tolerated and that the Company will not do business with anyone it feels may not operate in the same way.

Key stakeholders considered:

Appointment of new Non-Executive Directors

As signposted in the 2022 Annual Report and Accounts, the search for new Non-Executive Directors concluded during 2023 with the appointment of Caroline Brown and Karen Bomba as independent Non-Executive Directors on 1 June 2023. Both Directors bring a wealth of experience and diversity to the Board and provide assurance to our shareholders and other stakeholders that decisions made by the Board have considered all viewpoints and impacts and are made in the best interests of the Company.

Key stakeholders considered:

Focus on Main Market listing

"Our **shareholders** want us to ensure that the business can continue to grow and create value in the long term. Many of our shareholders believe in our purpose as passionately as we do and the move up to the Main Market presented the business on a wider stage supporting growth and development opportunities. In a similar way, our **suppliers and partners** want longevity and certainty that their partnerships and agreements will continue. We know that they want to see the development and evolution of our technology to lead us into the future of green energy. Securing investor support and funding is key to achieving that goal.

"Our **employees** are key to the achievement of our purpose and goals and ensuring they were fully cognisant of the increased challenges the Main Market listing would bring was crucial. The Board ensured not only that they were kept up to date on the progress of the preparatory work, but also that they had all the tools required to operate in the new environment. Whilst the Company had always been compliant with required legislation and regulation, it was clear that the Company would be subject to additional scrutiny after the listing. Policies and procedures were reviewed and strengthened to ensure the business complied with the latest requirements of **regulators and legislators**.

"In terms of our **industry** peers, we knew that the potential to develop partnerships to explore technological advances would be strengthened by the additional credibility that the listing would bring.

"The impact that the development and licensing of our technology could have on **wider society** is clear to us and demonstrated by our purpose, "clean energy for a clean world", and the benefits identified above clearly enable us to work towards that purpose."

Warren Finegold
Chair

A clear strategic vision

Our strategy is to pioneer advanced technologies and embed them in the products of world-class companies to meet their strategic imperative to transform to clean energy. Our strategy is based on the three drivers below, with a goal to secure a leading market share of the global solid oxide industry.

1 Licensing technology leadership

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

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

Links to KPIs
6

Links to risks
3 4 9

2 Commercial acceleration

We create commercial scale by generating more demand though increasing commercial partnerships and licences.

- We aim to secure manufacturing licence partners to address multiple applications and markets.
- We engage with companies throughout the value chain to drive demand for Ceres' technology in both fuel cell and hydrogen applications.

Links to KPIs
2 3 4

Links to risks
5 8

3 Execution at pace

We aim to support our manufacturing partners to start mass production by 2024 onwards.

- Ceres has supported the development of three manufacturing sites globally, in the UK, Germany and South Korea, with Bosch and Doosan moving towards mass market launch.
- We continue to work with system partners in both fuel cells and electrolysers to develop innovative products to bring to market.

Links to KPIs
1 2 5

Links to risks
1 2 6

For more information on risks, please see page **36**

Links to KPIs
1 Revenue
2 Gross margin
3 Order backlog (at 31 December)
4 Announced manufacturing capacity
5 Partner programmes delivery
6 Demonstrate SOEC

Links to risks
1 Viability of Technology
2 Operational Capability
3 IP and Regulation
4 Long-term Value Proposition
5 Commercial Traction/ Partner Performance
6 Partner Scale Up/Supply Chain
7 Detrimental Partner Actions
8 Geopolitical
9 People and Capability
10 Future Funding and Liquidity

Our key performance indicators

Financial KPIs

1 Revenue

£22.3m

23	22.3
22	19.8[1]
21	29.2[1]

Description
Revenue in line with the prior year, with the majority arising from existing partners Bosch and Doosan through ongoing development activities as we support them with factory build and prepare for commercial launch.

Links to strategy: 3

2 Gross margin

61%

23	61
22	54
21	60

Description
Gross margin of 61% an improvement on prior year margin of 54%. These margins remain much higher than industry norms due to the licencing nature of Ceres' business model.

Links to strategy: 3

3 Cash outflow (at 31 December)

£(42.4)m

23	(42.4)
22	(67.3)
21	(41.5)

Description
"Cash outflow" relates to the movement in cash and investments excluding the equity fund raise conducted in 2021.

Links to strategy: 2

1. The adjustment in respect of 2022 and 2021 is described in Note 1 to the financial statements.

Non-financial KPIs

4 Announced manufacturing capacity

2023 performance
250MW.

Description
Announced stack manufacturing capacity from our partners

Links to strategy: 2

5 Partner programmes delivery

2023 performance
Whilst stack factory construction at Doosan and Bosch remains on track, the launch of the commercial products that will generate royalties is expected to take longer.

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

Links to strategy: 3

6 Demonstrate SOEC

2023 performance
The megawatt-scale electrolyser successfully completed testing and was shipped to Shell's R&D centre in Bangalore, India.

Description
The Ceres team is focused on the next SOEC product concept for a 4-5MW modularised system, which would facilitate larger scale installations.

Links to strategy: 1

Links to strategy
1 Licensing technology leadership
2 Commercial acceleration
3 Execution at pace

> "Ceres' asset light business model enables us to focus investment on highly differentiated IP for our partners to industrialise. We have significantly reduced our cash outflow in 2023 whilst maintaining targeted R&D spend in core technology. Through existing licensees, and new business opportunities in both clean power and hydrogen markets, Ceres is well positioned for growth in 2024 and beyond."

Eric Lakin
Chief Financial Officer

Reduced cash outflow and strong foundation for growth phase

Highlights

- Revenue of £22.3 million (2022: £19.8 million[1])
- Gross profit of £13.6 million (2022: £10.7 million), maintaining sector-leading gross margin at 61% (2022: 54%)
- Research and development investment increased by 11% to £54.0 million (2022: £48.5 million[1]), consistent with strategy to drive innovation and technology leadership across solid oxide fuel cell and electrolysis technology
- Strong cash and short-term investments position of £140.0 million (2022: £182.3 million) with reduced cash outflow through disciplined working capital and cash management

1. The adjustment in respect of 2022 is described in Note 1 to the financial statements.

£22.3m
Revenue
(2022: £19.8m)[1]

61%
Gross margin
(2022: 54%)

£54.0m
Research and development costs
(2022: £48.5m)[1]

£(50.3)m
Adjusted EBITDA loss
(2022: £(45.7)m)[1]

£(42.4)m
Cash outflow (change in cash and short-term investments)
(2022: £(67.3)m)

£140.0m
Cash and short-term investments
(2022: £182.3m)

Introduction

2023 was a challenging year for Ceres with a demanding macroeconomic background in which clean technology companies have been particularly impacted. The financial outcome for the year was not as we had originally expected, with no top-line growth due to the absence of new licence partners signed in the year including the planned China JV with Weichai.

During 2023, we maintained a focused approach to investments in solid oxide fuel cell and electrolysis technology development including the design and build of our first megawatt-scale electrolyser. Cash outflow improved significantly in 2023 compared to the prior year, largely through reductions in capital expenditure and working capital, as we balance investments in R&D and capability with a disciplined approach to cash management.

Reporting on the results

A number of prior period corrections were identified during the audit, the main ones relating to the historical timing and treatment of revenue recognition and foreign exchange impact for long term contracts, the dilapidation provision and capitalisation of relevant costs.

The total impact of all items is a decrease in net assets of £3.6 million in 2022, with the majority being explained by a reduction of revenue of £1.7 million in 2021 and £2.3 million in 2022. These decreases in revenue are offset by increases in revenue of £0.3 million in 2023 and £3.3 million increase in the opening order backlog for 2024. Please see note 1 of the Financial Statements for further detail.

Revenue

The Group reported revenue of £22.3 million in 2023, compared with £19.8 million[1] in the prior year. Most of the revenue was from existing partners Bosch and Doosan through ongoing development activities as we support them with factory build and prepare for commercial launch. Revenue is a combination of development licence revenue, engineering services and the provision of technology hardware. £21.5 million of the revenue in 2023 relates to SOFC (2022: £19.6 million[1]). Our SOEC business segment recognised revenue in the year of £0.8 million (2022: £0.2 million), the majority of which is licence revenue from signing a collaboration with Bosch and Linde announced in March 2023 to validate our electrolysis technology. Revenue from the Shell test evaluation partnership will commence once the demonstrator is commissioned at Shell's facility in Bangalore, India in 2024.

Gross margin

Gross profit of £13.6 million in the year (2022: £10.7 million) increased when compared to the prior year due to the impact of the high margin licence reallocation as documented above. There was a similar level of revenue and revenue mix in terms of engineering services and hardware. Consequently, gross margins of 61% also improved compared to prior year (2022: 54%). These margins remain much higher than industry norms due to the licensing nature of Ceres' business model.

Consolidated statement of profit and loss
for the year ended 31 December 2023

	2023 £'000	2022 £'000 Restated[1]
Revenue – restated[1]	22,324	19,788
Cost of sales	(8,770)	(9,079)
Gross profit	13,554	10,709
Gross margin	61%	54%
Other operating income	3,665	1,332
Operating costs[1]	(76,620)	(66,054)
Operating loss	(59,401)	(54,013)
Finance income	7,079	2,830
Finance expense	(1,287)	(304)
Loss before taxation	(53,609)	(51,487)
Taxation (charge)/credit	(399)	3,872
Loss for the financial year	(54,008)	(47,615)

1. The adjustment in respect of 2022 is described in Note 1 to the financial statements.

Other operating income
Other operating income increased significantly in the year to £3.7 million (2022: £1.3 million), which reflects the level of R&D Expenditure Credits ("RDEC") claimed in the year compared to the prior year. As of 2023 all Ceres' R&D tax relief is in the form of RDEC as Ceres no longer qualifies for SME R&D tax credit schemes. In 2022, SME R&D tax credit was recognised within the taxation credit.

Operating costs
Operating costs increased to £76.6 million (2022: £66.1 million[1]) as Ceres increased investment in core technology to drive future growth, including the second generation of stack and a significant investment in the megawatt-scale electrolyser. The largest category of spend is R&D, which increased to £54.0 million (2022: £48.5 million[1]). The average number of persons employed by the Group in the year increased to 590 (2022: 536). Now that we have critical mass of engineers, scientists, electrochemists and other technical employees, we don't anticipate headcount increases in 2024.

Finance income and expense
Finance income increased significantly to £7.1 million (2022: £2.8 million), which reflects improved interest rates on our bank deposits and short-term investments in money market funds in a higher interest rate environment. We maintain a stringent treasury policy to balance appropriate market returns with the security of funds including only high investment grade, and diversification of, financial institutions. Finance expense increased to £1.3 million (2022: £0.3 million) mostly due to a foreign exchange losses of £0.8 million on currencies held in non-sterling denominations (2022: gain of £0.2 million).

Taxation (charge)/credit
Taxation charge in 2023 of £0.4 million reflects payment of withholding taxes from overseas earnings. This compares to a taxation credit of £3.9 million in 2022, which represents SME R&D tax credits, as described in the other operating income section above.

Loss for the financial year
The Group posted a loss of £54.0 million (2022: £47.6 million[1]) for the year, which reflects the increase in operating costs and no taxation credit in 2023, partly offset by higher other operating income and interest income compared to 2022.

	2023 £'000	2022 £'000 Restated[1]
Operating loss – restated[1]	(59,401)	(54,013)
Depreciation and amortisation[1]	9,126	7,244
Share-based payment charges	67	997
Exchange gains	(232)	(934)
Unrealised losses/(gains) on forward contracts	143	1,020
Adjusted EBITDA	(50,297)	(45,686)

1. The adjustment in respect of 2022 is described in Note 1 to the financial statements.

Adjusted EBITDA
Adjusted EBITDA loss for 2023 increased to £50.3 million (2022: £45.7 million[1]). Adjusted EBITDA is a non-statutory measure and is detailed in the Alternative Performance Measures section in this review. The increased loss is primarily due to the increased operating costs explained above.

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

Working capital movements
During 2023 working capital decreased by £10.0 million (2022: increase of £3.0m[1,2]), which had a favourable impact to reduce the cash outflow in 2023. The two largest components of this was the reduction of Trade and other receivables by £7.3 million, including significant invoice payments from partners in January 2023, and a £2.9 million reduction in inventories during the year that partly reflects the consumption of first generation stacks, and an increased focus matching our pilot plant production levels to partner demand. The net movement of contract assets and contract liabilities was a decrease in net liabilities of £1.1 million.

Key cashflow financial measures

	2023 £'000	2022 £'000 Restated[1]
Total capital investments (capital expenditure and capitalised development)	14,722	18,179
Working capital decrease/(increase)[1,2]	10,023	(2,959)
Change in cash, cash equivalents and investments	(42,364)	(67,264)
Cash, cash equivalents and short-term investments	139,956	182,320

Total capital investments
Total capital investments comprises capital expenditure (property, plant and equipment) and capitalised development (intangible assets). In 2023, total capital investments declined to £14.7 million (2022: £18.2 million) due to a combination of reducing investment requirements for our Manufacturing Innovation Centre in Redhill, a deferral of some test capacity expansion from 2023 to 2024, and a prioritisation of spend as we emphasised cash discipline during the year.

Cash outflow
Cash outflow (change in cash, cash equivalents and short-term investments) was £42.4 million (2022: £67.3 million). This improvement, despite the increase in the Adjusted EBITDA loss, was driven by the reduction in working capital, reduced capital investments and, to a lesser extent, increased finance income.

Cash, cash equivalents and short-term investments
The Group ends the financial year in a strong position with £140.0 million in cash, cash equivalents and short-term investments (2022: £182.3 million) to support future investment as we drive revenue growth, manage costs and expenditure in a disciplined way, and track towards profit and cashflow break-even.

Outlook
We end 2023 with a strong financial position and continue to invest across the business to build a sustainable competitive advantage in highly differentiated solid oxide technology. In the year I visited Bosch's facilities in Bamberg and Stuttgart to see the good progress being made on the industrialisation of solid oxide fuel cells and the scale is truly impressive. As we move into 2024, we expect revenues to approximately double compared to 2023, based on current contracts with existing partners and licensees including Bosch, Doosan, Weichai, Delta, Shell, Linde and others. Signing additional licence contracts in the year represents potential upside to this outlook, and although the timing of these incremental opportunities is uncertain, we are well-placed for future growth from both existing and new partnership prospects.

Eric Lakin
Chief Financial Officer

1. The adjustment in respect of 2022 is described in Note 1 to the financial statements.
2. The adjustments to working capital are described in the consolidated cash flow statement.

Risk Management Process

The Audit Committee plays a central role in the review of the Group's risk and internal control processes, supporting the Board's role in overseeing an enterprise-wide approach to risk identification, management, and mitigation. However, the Group's risk management framework can only provide reasonable, but not absolute, assurance that principal risks are managed to an acceptable level. The Audit Committee assists the Board in monitoring the effectiveness of our risk management and internal control policies, procedures, and systems.

It is the responsibility of the Executive Committee to manage and mitigate the financial, reputational, operational and regulatory risks facing the Company. These risks are reviewed at Executive Committee meetings, and with senior management and project teams across operations as a core part of the day-to-day running of the business.

Risks are recorded in a risk register and are reviewed by the Executive Directors bi-annually, with the current level of inherent and mitigated risk levels assessed to determine the appropriate further mitigating actions required to reduce the risk to an acceptable level. Each risk has an assigned Executive owner responsible for the mitigation and monitoring of the risk through the year.

Risks which are determined to have a potentially material impact on the Group's viability are reported as principal risks.

Principal risks are reported and discussed regularly with the Board, with changes highlighted to existing and emerging risks.

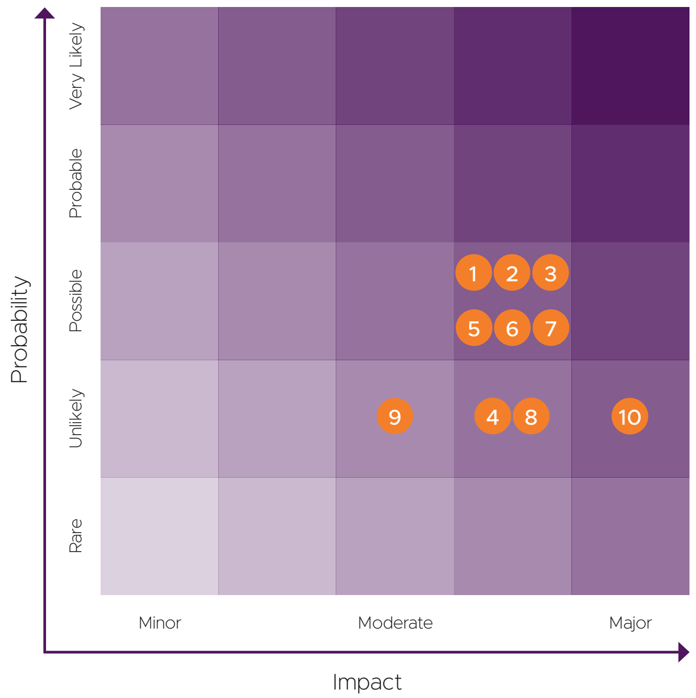
Principal Risks and Uncertainty Matrix

Following a review of principal risks during the year, it was deemed appropriate to restructure the reported risks and include four new risks from those included in last year's Annual Report, being: Takeover Bid, Geopolitical, People and Capability, and Future Funding and Liquidity.

Beyond these, our business has other operational risks that we manage as part of our daily operations, such as health and safety, environmental, financial, commercial, legal, and regulatory. Finance risks are discussed in Note 20 of the financial statements.

To facilitate meaningful comparison of the relative importance of the principal risks and uncertainties at a Group level, these have been mapped onto a probability and impact matrix shown below.

Principal risks and mitigation actions are set out in the table on pages 37 to 39. Based on the risk management process described above, these are the principal risks the Board believe have the greatest potential to impact the Group's future viability. This summary is not intended to include all risks that could ultimately impact our business and delivery of strategic objectives, and the risks are presented in no particular order.



Risk heatmap

1. Viability of Technology
2. Operational Capability
3. IP and Regulation
4. Long-term Value Proposition
5. Commercial Traction / Partner Performance
6. Partner Scale Up / Supply Chain
7. Detrimental Partner Actions
8. Geopolitical
9. People and Capability
10. Future Funding and Liquidity

Trend directions:

▲ Increasing ▼ Decreasing ↔ Unchanged

Principal Risks	There is a risk that…	Actions taken by management/mitigations	Change	Link to strategy
1 **Viability of Technology**	We will not be able to develop and apply the Group's technology successfully to potential products at the right cost point or performance, in the time frame anticipated.	Management is working to achieve agreed performance levels and cost points under ongoing programmes, with full resources and facilities deployed to meet milestone requirements. Investment into upgrade test infrastructure continued in the year with increased capacity and capability.	↔ During the year Ceres' second-generation design of stacks passed critical design review, a key milestone. However, challenges remain due to short timescales and the risk of late changes driven by development issues, delayed test validation and maturing manufacturing processes.	Execution at pace
2 **Operational Capability**	The Company may be unable to satisfy current customer contracts and demand, with an increasingly complex partner structure. This may be due to lack of organisational growth management, testing capacity, and short-term manufacturing or technical issues.	We have reinforced our engineering and supply chain teams and established additional processes to support growth. We have created partnerships in engineering and testing to enable scaling up more quickly. We are continuing to expand capacity and capability of our facilities that support research and development activities, developing over time to support the move to a digitalised business environment.	▼ We are building up the business to be in a better position to meet the challenges of our customers' expectations.	Execution at pace
3 **IP and Regulation**	The Company's competitive advantage could be at risk from: successful challenges to its patents; unauthorised parties using the Group's technology in their own products; Ceres not harvesting IP from partners; and others infringing existing Ceres intellectual property rights (IPRs). Also, a risk that the Group will unwittingly infringe valid IPRs of others, which could limit full commercialisation of the technology.	We have internal procedures and controls in place to capture and exploit all intellectual property (IP) as well as to protect, limit and control disclosure to third parties and partners. We are implementing IP Centricity, a programme with tools for tracking and managing IP assets. Contractual provisions with partners and IP insurance provide additional protection to the Group for agreement, pursuit and defence of IP. We perform freedom-to-operate searches to minimise this risk.	↔ Continued progress made to ensure we are able to protect and exploit our IP.	Licensing technology leadership

Trend directions:

▲ Increasing ▼ Decreasing ◀▶ Unchanged

Principal Risks	There is a risk that...	Actions taken by management/mitigations	Change	Link to strategy
4 **Long-term Value Proposition**	The value proposition of our technology may become eroded or irrelevant, impacting on the Group's future profitability and growth opportunities. We may not be successful in our research and development efforts and may not be able to create new intellectual property.	We address different geographical markets, which we believe will decarbonise at different rates, and we are broadening the applications available, mitigating failure in a single market or product. We monitor competitor activity and market developments to identify partner and end-user future requirements. We have dedicated resources for pursuing disruptive innovation, and continue to develop our university network. Ceres' first 1MW-scale electrolyser, which began producing hydrogen this year, has arrived at Shell's research and development centre in India, where further validation will take place. This will feed into the design of the optimum architecture for 100MW+ scale systems installations, essential to accelerate commercialisation and deliver green hydrogen at the scale and pace required to reach net zero.	Unchanged Our diverse pipeline of potential customers continues to mitigate the impact of individual customers choosing not to move forward.	Licensing technology leadership
5 **Commercial Traction / Partner Performance**	Our partners may choose not to use our technology in their products or go to market slower than anticipated. We may not be able to continually attract new partners. We may be unable to finalise a strategic partnership to access China markets. We may be unable to establish SOEC as a credible technology, in part due to the competition risk.	We work in close partnership with Doosan and Bosch to achieve the 2024 go-to-market timeline. Our commercial progress is continuing with expansion across regions and applications, with the signing of Delta, our first SOEC customer, in January 2024. We plan to ensure SOEC leadership through development, demonstrations, and partnerships, with the first 1MW-scale electrolyser validated and with Shell in India in Q2 2024. We have invested to expand our commercial teams in key geographies, to align with the greatest interest and support for hydrogen and fuel cell technologies.	Increasing The planned three-way China JV has not been concluded despite the relationship between the three parties remaining strong. It is now our belief that the proposed JV is unlikely to be completed in its current form. Despite progress in the development of SOEC technology, we have failed to sign a licencee partner in the year. However, Delta, our first SOEC partner, signed in January 2024.	Commercial acceleration
6 **Partner Scale Up / Supply Chain**	We may not be able to meet the timeframes agreed with the partners for the market launch of the Company's technology, for example due to supply chain issues or, stack product maturity not keeping up with commercialisation, or technology not meeting requirements.	We continue to work in close collaboration with partners in their trials and early market launches.	Increasing Whilst stack factory construction at Doosan and Bosch remains on track, the launch of the commercial products that will generate royalties is expected to take longer.	Execution at pace

Trend directions:

▲ Increasing ▼ Decreasing ◀▶ Unchanged

Principal Risks	There is a risk that...	Actions taken by management/mitigations	Change	Link to strategy
7 **Detrimental Partner Actions**	We may be the subject of actions by partners or third parties including takeover bids, which could result in shareholder value being negatively impacted.	We maintain close dialogue with shareholders and partners. We maintain an active defence strategy which seeks to protect shareholder value in the event of a takeover attempt.	Increasing Although Ceres retains two key strategic shareholders and an active defence strategy, market capitalisation has materially reduced in the year leading to higher overall risk.	NA
8 **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. The company may come under cyber-attack from nation-state actors, potentially compromising our IP portfolio and trade secrets.	Our supply chain is periodically reviewed for at-risk supply based on either sensitive location or single source. Alternative or additional suppliers are then sought and put in place. Doosan and Bosch have localised a large proportion of the bill of materials, further diversifying the supplier pool. Investment in information security continues, with external audits showing year-on-year improvements.	Increasing Increased tensions in partner territories in Asia, with potential future conflicts which may disrupt their ability to conduct business. Increased supplier diversity due to internal efforts and the localisation efforts of Doosan and Bosch.	Commercial acceleration
9 **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.	Our organisation structure and skills matrix are continually reviewed to ensure we have the correct mix of skills across all areas. Succession planning is in place and information capture/IP harvesting continuously occurs to minimise the impact of any individual leaving. An employee share scheme is in place with high take-up, and for key personnel a long term incentivisation plan is in place to support retention of key personnel. Other aspects of reward strategy are periodically reviewed to ensure we are competitive with the wider market.	Decreasing Headcount has now reached critical mass, with the appropriate coverage of skills in place to minimise risk.	Licensing technology leadership
10 **Funding and Liquidity**	A failure to acquire new customers would impact the forecast cash position of the company, potentially requiring further external funding. An equity fundraise at a low share price may negatively impact shareholder value.	We have a continuous cycle of cashflow monitoring, forecasting, performance reporting and scenario planning. Proactive investor communications and management strategy in place to support the equity story for potential future fund raising.	Increasing Although the cash position remains strong, 2023 did not see the planned intake of new licensees, meaning that the expected inward cashflows have been delayed	NA

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the future viability of the Group over a period longer than 12 months. The Directors believe a period of three years is sufficient as a viability assessment period as it represents a period in which management can make reasonable estimates of future Group performance and financial position.

Viability assessment period

Considering the uncertainties inherent to the Group's operations as well as the medium-term planning, the Board concluded that a viability assessment over a three-year period provides a robust and realistic evaluation of the Group's future performance. The Directors have carried out this viability assessment over a period of three years for the following reasons:

- It represents a balance between an appropriate need to plan for the longer-term and uncertainties in financial projects when considering a period of greater than three years;
- It is broadly in line with the timeframes of large collaboration and licence agreements; and
- It is appropriate for the current stage of development of the Group and gives an opportunity to reasonably assess the decisions around the Group's capital structure and funding based on implementing its major strategic objectives (described on page 30) and progress made with collaboration partners.

Assessment of prospects

The Group's viability assessment is built through integration of the principal risks and uncertainties (described on pages 36 to 39) into a financial model with scenarios, based on the elements of corporate planning and modelling process, which includes:

- Annual budgeting and forecasting process incorporating preparation of an annual budget for the following year, which is reviewed and approved by the Board, and followed up with periodic forecasts, which are monitored by senior management and the Board; and
- Future planning based on a central three-year financial projection, using management's internal estimate of contract intake formed on current expectations of the outturn of existing contracts and reasonable expectation of new licence and collaboration agreements.

The Directors regularly assess the Group's prospects and progress against the strategic objectives set out in its strategic plan. The strategic plan is built around a base case scenario in order for the Directors to assess both the Group's liquidity and solvency positions, along with adequacy of funding. Sensitivity analysis of the base case assumptions underlying the plans is also carried out. The plans are approved by the Directors and financial budgets and KPIs are subsequently used to monitor performance during the year via periodic reviews.

In its assessment of the Group's prospects, the Board has considered the following:

- The Group's strategy and how it addresses expectations of changing macro-economic environments;
- The Group financial position;
- The commercial viability of the Group's technology and commercial traction; and
- Competition, intellectual property exposures and the Group's regulatory environment.

Assessment of viability

To assess the Group's viability, different scenarios were modelled identified by considering the potential impact of individual principal risks and possible combinations as shown below. In total, four severe but plausible individual scenarios have been created, with the fifth collective scenario which considers the combined impact of scenarios 1–4 to model the absolute worst-case scenario for the business. All the scenarios identified could, in theory, combine with varying levels of impact.

The Group's principal risks and uncertainties, evaluation of the management of those risks and internal controls in place are discussed on pages 36 to 39.

Scenarios modelled	Links to principal risks
Scenario 1 – Core technology demand delayed	
Ceres' operations become subject to a material reduction in short term demand for the technology either as a result of the technology not performing to the expected levels or our partners choosing not to use our technology in their products. **Stress test applied:** Failure to acquire any new licence partners in 2024 but from 2025 demand trends back towards target of two new partners per year. **Financial impact:** Reduced high margin licence revenue recognition in 2024 when compared to base case budget. The recoverability will be quick as the demand trends back to target as licence revenue on signing new agreements is recognised upfront on transfer of technology. Gross margin in 2024 would be below levels seen in 2023 but would improve quickly in line with revenue. No cost saving mitigations would be required as long term viability is not threatened under this scenario.	Risk 1: Viability of Technology Risk 2: Operational Capability Risk 4: Long-term Value Proposition Risk 5: Commercial Traction / Partner Performance
Scenario 2 – Commercialisation of Ceres' technology	
Timeframes for commercial product launch of Ceres' technology with key partners is slower than expected or materially disrupted. For example, the technology does not translate to large scale production or partners are unable to sell the planned production volumes. **Stress test applied:** Royalty build-up projections delayed by one year. **Financial impact:** Revenues over the viability period would be impacted, but not materially, as the Group's expectation is that royalty revenues are not material in this period of assessment. High margin licence revenue would still be recognised as the assumption would remain consistent with the Group's base case budget. There would be no cost saving mitigations required.	Risk 2: Operational Capability Risk 4: Long-term Value Proposition Risk 5: Commercial Traction / Partner Performance Risk 6: Partner Scale Up / Supply Chain
Scenario 3 – Failure to fully execute SOEC strategy or limited addressable market	
The market for SOEC is immature and the total addressable market is based on a forecast. It could also unfold that the market for green hydrogen may mature more slowly than anticipated. Also, Ceres' SOEC technology demonstrator may fail to deliver on expected performance characteristics (e.g., degradation rates). Both of these risks could impact the timing of new SOEC license partners. **Stress test applied:** Failure to acquire second SOEC licence partners in 2024–2026 **Financial impact:** Impacts all periods within the viability assessment, top line revenue will be £14–28 million down per year when compared to Group's base case budget. Throughout the assessment period the Group's adjusted EBITDA is loss making. Discretionary spend would be cut in to save 10–15% of operating costs. However, external funding would not be required for the Group to remain viable.	Risk 1: Viability of Technology Risk 2: Operational Capability Risk 4: Long-term Value Proposition Risk 5: Commercial Traction / Partner Performance

Scenarios modelled	Links to principal risks
Scenario 4 – Breach of IP and confidence lost in Ceres	
Ceres' IP and/or trade secrets are breached or stolen, and the perpetrator develops and markets products using our IP, which could materially impact Ceres' competitive advantage. **Stress test applied:** No partners from 2025 as potential partners consider the value proposition and competitive advantage of Ceres to be undermined; additional costs from defence and remedial actions. **Financial impact:** 2024 will remain at budgeted levels however no new licence partners for 2025 and 2026 would impact revenue by £80–90 million with the impact to gross margin being just as severe. The costs to defend Ceres' competitive advantage would be material and other costs saving measures would be needed to keep the business from increasing EBITDA losses.	Risk 1: Viability of Technology Risk 3: IP and Regulation Risk 4: Long-term Value Proposition
Combination of scenarios 1–4	
This represents a severe downside scenario combining the above risks and would represent a demand and operational shock. **Stress test applied:** The Group's reverse stress test where the long term viability is no longer possible; no partners from 2024, royalties from existing partners, delayed, additional costs from IP defence. **Financial impact:** A highly unlikely worst-case scenario but revenue, margin and EBITDA would be materially impacted, revenue as much as £137 million down over the assessment period when compared to base case budget. Discretionary spend would need to be cut and external funding would be sought in order for the business to remain viable.	All of the above Risk 10: Funding and Liquidity

Conclusion on viability

The scenarios above are hypothetical and purposefully severe in order to create outcomes that have the ability to threaten the viability of the Group. It is considered unlikely, but not impossible, that the occurrence of these risks could test the future viability of the Group.

None of the scenarios modelled, including the more extreme and unlikely aggregated scenario, were found to threaten the viability of the Group over the period of assessment. In assessing each of the scenarios mitigating actions were taken into account including:

- Reducing discretionary operating spend and prioritising spend critical to the success of SOEC
- Reducing non-committed capital expenditure
- Reducing development spend to the minimum required to maintain the Group's IP portfolio; and,
- Reviewing headcount, freezing recruitment and reducing incentive based remuneration.

Based on the assessment of the current position of the Group, the principal risks as set out on pages 36 to 39 and the scenarios assessed above, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due through the three-year viability assessment period ending 31 December 2026.

Going Concern Statement

Based on the review of the Group's cash and short-term investments, forecast income and expenditure, performing appropriate sensitivity and scenario analyses, and after making appropriate enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to progress their established strategy. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. More detail can be found in the financial statements on page 102.

Board approval

The Strategic Report set out on pages 1 to 42 has been approved by the Board

Eric Lakin
Chief Financial Officer

Corporate governance

"The Board is committed to good governance. The Company's successful move up to the premium listing on the Main Market of the London Stock Exchange makes this more important than ever before."

Warren Finegold
Chair

Governance highlights 2023

- Successful move up to the premium listing on the Main Market of the London Stock Exchange
- Refreshed Company strategy
- Julia King succeeded Steve Callaghan as Senior Independent Director
- Appointment of Caroline Brown and Karen Bomba as Non-Executive Directors
- Thoroughly embedded Employee Engagement Director role
- Nannan Sun joined as the nominated representative Non-Executive Director for Weichai
- TCFD and ESG reporting has developed and evolved
- Engagement with shareholders on governance and remuneration matters

Dear Shareholder,

On behalf of the Board I am pleased to present the Corporate Governance Report for the financial year ended 31 December 2023.

This year was a milestone year for Ceres with a successful move up to the Main Market of the London Stock Exchange. An enormous amount of work was required to make the move successfully and the Board and I would like to thank all involved for their sterling efforts.

We have had several Board changes this year, not least we said goodbye and thank you to Steve Callaghan, a long serving member of the Board who made a significant contribution during his time with the Company. He was succeeded as Senior Independent Director by Julia King, whose wealth of experience and sound perspective are proving invaluable.

In June we welcomed Caroline Brown and Karen Bomba to the Board as Non-Executive Directors. Both have excellent skills, attributes and experience and as members of the Audit Committee and Remuneration & Nomination Committee respectively they are strengthening our diversity of thought and decision making significantly.

Finally, in September Weichai Power replaced its nominee Non-Executive Director on the Board, Qinggui Hao, with Nannan Sun. I would like to thank Qinggui for all his contributions and we welcome Nannan's substantial technical experience as we move forward.

This year saw further development of the Employee Engagement Director role, held by Trine Borum Bojsen. The Board has been pleased to see the positive way in which employees have welcomed the opportunity to air their views to her and the positive actions that have been set out by the business as a result of this engagement, coupled with the staff engagement survey, are welcomed enormously. The Board was pleased to meet employees informally and answer questions at a successful "meet the Board" event this year and looks forward to doing a similar event in 2024. The Board also met with the senior leadership team to discuss the strategy which was vital to ensure understanding and engagement as we move forward.

The Board-level ESG Committee's first year of operation has seen a significant amount of work in the oversight and development of the Task Force on Climate-related Financial Disclosures and ESG reporting. The Board approved the second Sustainability Report and the step-up in reporting and disclosure has been significant. As the demands grow ever larger in this arena it is imperative that the Board remains committed to good governance and reporting.

The Board spent a significant amount of time on strategic discussions in the latter part of the year, setting a refreshed strategy that we believe will move the business forward and create value for shareholders and other stakeholders. More details on the strategy for the business are set out on pages 1 to 42.

The Board is always seeking to ensure it is cognisant of shareholder views and during the year invited shareholders to engage on any matters they wished to raise in a number of forums. We look forward to strengthening this shareholder engagement programme as we move forward into 2024.

Warren Finegold
Chair of the Board
12 April 2024

Committee membership key

A Audit Committee	D Disclosure Committee
RN Remuneration & Nomination Committee	● Chair of Committee
E ESG Committee	I Independent Non-Executive Director

Warren Alan Finegold
Chair of the Board

RN E D

Appointment date
1 March 2020

Nationality
British

Skills and experience
Warren joined the Board as an independent Non-Executive Director in March 2020 and succeeded Alan Aubrey as Chair in June 2020. He was a member of the Vodafone Group Executive Committee for ten years, serving principally as Group Strategy and Business Development Director. Previously, he was a Managing Director of UBS Investment Bank, where he held several senior positions, most recently as Head of the Technology Team in Europe. Warren has served on the boards of UBM plc and Avast plc as Senior Independent Director and as a Non-Executive Director of Inmarsat plc. He has an MA in Philosophy, Politics and Economics from Oxford University and a master's degree in Business Administration from London Business School.

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

Philip Joseph Caldwell
Chief Executive Officer

E D

Appointment date
2 September 2013

Nationality
British

Skills and experience
Phil was appointed Chief Executive of Ceres in 2013. Under his leadership Ceres has grown into one of the UK's most valuable clean technology companies. Phil has been instrumental in positioning Ceres as an asset-light licensing business, establishing partnerships with global engineering giants to meet the urgency for low carbon power systems and electrolysis for green hydrogen. Phil has worked in the fuel cell industry for 20 years', and 8 years' at ICI in the Chlor-Alkali Electrolyser Business. He has a master's degree in Chemical Engineering from Imperial College, an MBA from IESE Barcelona and is a Sainsbury Management Fellow.

Key strengths
Experienced plc CEO with over ten years' in the public market. Commercialisation of fuel cell and electrolysis technology across multiple markets and geographies; strategic delivery; team building and leadership.

Eric Daniel Lakin
Chief Financial Officer

D

Appointment date
10 January 2022

Nationality
British

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

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

Trine Borum Bojsen
Non-Executive Director

E I

Appointment date:
15 March 2022

Nationality
Danish

Skills and experience
Trine joined the Board in March 2022 and is the Employee Engagement Director. She is the Senior Vice President of Europe Renewables in Equinor with profit and loss accountability for origination, development, construction and operation of assets. Previously, Trine was Chief Operating Officer of Copenhagen Offshore Partners, a leading provider of project development, construction management, and operational management services to offshore wind projects worldwide. Prior to that, Trine held senior management posts at Ørsted and also served on a number of boards and key committees within the company. She is currently a Non-Executive Director of MacArtney A/S Denmark, BeGreen A/S and Danske Commodities A/S. Trine has an M.Sc in Engineering from the Technical University of Denmark and a Board Certificate from Copenhagen Business School.

Key strengths
Renewables market knowledge; technical expertise; and stakeholder relationship building.

Committee membership key

- (A) Audit Committee
- (RN) Remuneration & Nomination Committee
- (E) ESG Committee
- (D) Disclosure Committee
- ● Chair of Committee
- [I] Independent Non-Executive Director

Karen Bomba
Non-Executive Director

RN I

Appointment date
1 June 2023

Nationality
American

Skills and experience
Karen joined the Board on 1 June 2023. She has 37 years' of experience in the engineering industry, most recently at Smiths Group where she was latterly President of Smiths Interconnect until 2020.

Previously, Karen spent her career in various technical and managerial roles at Northrop, Hitco Carbon Composites (SGL), Zoltek Companies and Safran Group SA, where she was CEO of Messier-Bugatti USA, Chair and Chief Executive of Labinal (now Safran Electrical and Power) and President and CEO of Morpho Detection. She is currently a Non-Executive Director of Ultra Electronics UK Holdings Ltd and of Wärtsilä Oyj Abp. Karen has a Bachelor of Science in Mechanical Engineering from Rensselaer Polytechnic Institute, USA, and a Certificate of Financing and Deploying Clean Energy at the Yale School of Business and the Environment.

Key strengths
Technology; global industry; transformation; strategic development; and plc board experience.

Caroline Brown
Non-Executive Director

A I

Appointment date
1 June 2023

Nationality
British and Irish

Skills and experience
Caroline joined the Board on 1 June 2023 and has over 20 years' main board experience as a non-executive director. She is currently Chair of Audit and Risk at FTSE 250 IP Group plc, a Non-Executive Director of CAB Payment Holdings plc, a board member of FTSE small-cap Luceco plc and a member of the global partnership council of Clifford Chance LLP. Caroline has delivered business strategy across EMEA, the Americas, India and the Far East in commercial leadership roles for FTSE 100 groups, mid-cap companies and innovative small and medium-sized enterprises. Her early career was in corporate finance with BAML (New York), UBS and HSBC advising global corporations and governments. Caroline has a First in Natural Sciences and a PhD in Chemistry from the University of Cambridge and is a Fellow of the Chartered Institute of Management Accountants.

Key strengths
Strategy development; commercial experience; finance; plc board experience.

William Tudor Brown
Non-Executive Director

A RN I

Appointment date
1 April 2021

Nationality
British

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

Key strengths
Technology; global industry; and licensing.

Uwe Klaus Glock
Non-Executive Director

Appointment date
18 June 2020

Nationality
German

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

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

Aidan John Hughes
Non-Executive Director

A I

Appointment date
9 February 2015

Nationality
British

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

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

Julia Elizabeth King
Non-Executive Director

E RN I

Appointment date
17 June 2021

Nationality
British

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

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

Nannan Sun
Non-Executive Director

Appointment date
27 September 2023

Nationality
Chinese

Skills and experience
Nannan joined Ceres in September 2023 and is the Weichai nominated Non-Executive Director as part of the strategic collaboration agreement with Weichai. Nannan is a senior engineer with a doctorate in Engineering from Shandong University and is currently the Assistant President of Weichai Power and President of the Future Technology Institute of Weichai Power. Nannan is responsible for product and technology research and development having joined Weichai Power in July 2015 and has served as the Vice President of the Scientific Research Institute, the President of the Science and Technology Research Institute, and the Vice President of the Future Technology Research Institute.

Key strengths
Relationship with Weichai; Chinese market knowledge; and technology.

Board of Directors: tenure

Board of Directors: gender

Tony Cochrane
Chief Commercial Officer

Tony joined Ceres in August 2015. Previously, he was at Ballard Power Systems for 17 years', where he held leadership positions in manufacturing, product engineering, technology strategy and strategic marketing. Most recently Tony was Commercial Director for Dantherm Power A/S and Director of Product Line Management at Ballard, where he built the stationary power business globally. Tony is a registered Professional Engineer and a Certified Professional Accountant. He holds a BSCE in Mechanical Engineering from Queen's University, Canada, and an MBA from Cornell University in the US.

Mark Garrett
Chief Operating Officer

Mark joined Ceres in August 2020. Prior to this he was at Ricardo plc for 22 years', holding a variety of leadership positions including Chief Operating and Chief Strategy Officer roles. Mark has considerable experience in bringing new products to market, operational performance and IP-based innovation in the transport and energy sectors. Mark is Non-Executive Chair of SBD Automotive Limited, an automotive sector consultancy, and is a Fellow of the Institution of Mechanical Engineers and the Royal Academy of Engineering.

Deborah Grimason
General Counsel and Company Secretary

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

Caroline Hargrove
Chief Technology Officer

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

Mark Selby
Chief Growth Officer

Mark joined the Company in January 2006 and has played a pivotal role in establishing the Company as a global technology leader in the fuel cell and electrolysis industry. Mark previously worked as the Company's Chief Technology Officer and Chief Innovation Officer and is now Chief Growth Officer. As Chief Growth Officer, Mark focuses his efforts on driving business growth by identifying new market opportunities, developing strategic partnerships, and driving the activity required to realise them. Mark has degrees in Electronics, Dynamics and Control Systems awarded by the University of Leeds. He is a Chartered Engineer and Fellow of the Royal Academy of Engineering.

Michelle Traynor
Chief People Officer

Michelle joined Ceres in 2019 and is responsible for all aspects of the people strategy to support the ongoing growth of the business. With over 25 years' experience gained across technology, manufacturing and professional services, her skillset encompasses all aspects of HR and expands beyond this into wider business operations. Prior to Ceres, she was Chief Operating Officer for ASB Law, having initially joined as Head of Human Resources and Development. Michelle is a chartered member of the CIPD and holds a master's degree in Personnel Management.

"A robust corporate governance framework enables us to make decisions effectively and adapt quickly when required. The Board supports a solid foundation of governance to ensure it, and the business, can develop and respond to the demands of day-to-day operation."

Reporting Code

Until the Company's move up to the Main Market of the London Stock Exchange (the "Main Market"), which was effective on 29 June 2023, it was listed on the Alternative Investment Market ("AIM") and had therefore applied the Quoted Companies Alliance Corporate Governance Code and not the Corporate Governance Code 2018 (the "Code"). However, it had been preparing to ensure the application of the principles and provisions of the Code in readiness for the move up to the Main Market. As such, and since 29 June 2023, the Company has fully complied with the Code (more information can be found on page 51).

The Company is also preparing to meet the requirements of the new Corporate Governance Code 2024 which will apply to accounting periods beginning on or after 1 January 2025, with the exception of Provision 29 which is applicable for accounting periods beginning on or after 1 January 2026. The new requirements will be reviewed and appropriate steps taken to ensure compliance.

The Company is also subject to the Listing Rules, the Disclosure Guidance and Transparency Rules, the UK City Code on Takeovers and Mergers and the Companies Act 2006.

The Board of Directors

The Board of Directors (the "Board" or "Directors") sets the purpose, vision and strategy for the Company and ensures that the culture, key to the Company's longevity and success, is aligned. It approves the business plan and budget, monitors performance and ensures that the necessary resources are in place to support the achievement of the Company's strategic objectives. Ensuring the long-term sustainability of the Company and creating value for shareholders and other stakeholders is critical to its role.

During the year the Board undertook its annual strategic review in conjunction with the Executive Committee. More details on the Company's strategy can be found in the Strategic Report on pages 1 to 42.

The Board ensures that there is a robust system of internal controls and a risk management framework within which the Company can operate safely and effectively, enabling it to take advantage of opportunities and to identify and mitigate risks. More information on the risk management framework can be found on pages 36 to 39 and on internal controls in the Audit Committee Report on pages 55 to 58.

Succession planning for key management and Board roles is imperative to ensure that the balance of skills and experience is maintained and that the Company has a robust and diverse pipeline of talent to safeguard its future. More information can be found in the Remuneration & Nomination Committee Report on pages 59 to 62.

The Non-Executive Directors perform a critical role, holding management to account and providing strategic guidance and constructive challenge. More details on all the Directors, along with the key skills and knowledge they bring to their roles, are set out on pages 45 to 47.

Division of responsibilities

The roles and responsibilities of the Chair, Chief Executive Officer, Senior Independent Director and Company Secretary are set out on the Company's website at:

www.ceres.tech/about-us/corporate-governance/

The Chair leads the Board and is responsible for its effectiveness in directing the Company. The Chair is supported by the Company Secretary to ensure that the Board has all the necessary information and resources it needs, in the format it requires and in a timely manner to operate efficiently and make well informed decisions. A forward plan for the current and following year ensures that the Board and its Committees are covering critical topics in a timely manner.

The Senior Independent Director ("SID") provides a sounding board to the Chair as well as the other Non-Executive Directors and acts as an intermediary between them and shareholders if required.

The Chair, Chief Executive Officer and Company Secretary meet regularly outside of the formal meeting schedule to plan meeting agendas, discuss strategy, performance and current issues. These informal meetings allow transparency and openness which encourages constructive and objective critical debate in meetings. The Chair also meets with members of the Executive Committee throughout the year.

The Board operates under its schedule of Matters Reserved to the Board which ensures that significant decisions are always taken at the right level and with the appropriate amount of scrutiny and challenge. Underneath this schedule sits the Delegation of Authority Policy which further sets out the approval levels for the day-to-day operation of the business. Both documents are kept under review to ensure that they remain current and appropriate and are updated as required. The schedule of Matters Reserved to the Board is available to view on our website at:

www.ceres.tech/about-us/corporate-governance/

In order to discharge its responsibilities effectively and in a timely manner the Board discharges certain responsibilities through Committees of the Board which comprise the Audit Committee; the Remuneration & Nomination Committee; the ESG Committee; and the Disclosure Committee. More information on these Committees can be found in their specific reports and in this Corporate Governance Report.

The framework of governance within which the Board and Executive Committee operate is set out on page 53 of this report.

Terms of Reference for all the Committees of the Board can be found on our website at:

www.ceres.tech/about-us/corporate-governance

Disclosure Committee

The assessment of the existence of inside information and determining whether disclosure to the market is required is in the first instance a PLC Board matter. However, if the discussion of such a matter by the full Board would be inappropriate due to a conflict of interest, or on occasions where the Board cannot be convened sufficiently rapidly, the Disclosure Committee assumes this responsibility. In any event it meets at least annually to ensure that the procedures and controls in place relating to the identification and management of inside information are sufficient.

Membership of the Disclosure Committee comprises the Chief Executive Officer, Chief Financial Officer, General Counsel and Company Secretary, and Chair of the Board. The Committee met three times during 2023.

The Terms of Reference for the Disclosure Committee can be found at:

www.ceres.tech/about-us/corporate-governance

Meetings

The Board met nine times in 2023 (including for an off-site strategy meeting). The attendance of each Director is set out in the chart below. Meetings are held both in person and virtually and any Director unable to attend is invited to submit their views and comments on the papers circulated to the Chair of the Board (or the Committee Chair) who ensures these are reflected in the Board (or Committee) discussions and decision making.

In-person meetings are held at various locations throughout the year to enable Directors to use their time efficiently and include meetings at the Company's offices in Horsham which enables the Board to interact and engage with colleagues more easily.

Board meeting agendas are carefully constructed to ensure that there is sufficient time for considered debate and challenge and that appropriate time is spent on key matters such as strategy and performance. The Board receives reports at each meeting from the Chief Executive and other Executive Committee members on specific areas of operation and performance which capture the activities of the Executive Committee and the Steering Committees (the governance framework is illustrated on page 53). More information about the activities of the Board during the year can be found on page 54 of this report and also in the Stakeholder Engagement section on page 28.

After every Board meeting has concluded, the Chair meets with the Non-Executive Directors to discuss the operation of the Board and the performance of the Executive Directors and senior management. The Chief Executive Officer joins these meetings at their conclusion to receive feedback.

Attendance table

Board/Committee	Member												
	Trine Borum Bojsen	Karen Bomba[2]	Caroline Brown[3]	Tudor Brown	Phil Caldwell	Steve Callaghan[1]	Warren Finegold	Uwe Glock	Qinggui Hao[4]	Aidan Hughes	Julia King	Eric Lakin	Nannan Sun[5]
PLC Board	●●●●●●●●●	●●●●●○	●●●●●○	●●●●●●●●○	●●●●●●●●●	●●●	●●●●●●●●●	●●●●●●●●●	●●●●●○	●●●●●●●●●	●●●●●●●●●	●●●●●●●●●	●●●
Restricted PLC Board	●●●●●●●●●	●●○●●	●●○●●	●●●●●●●●○	●●●●●●●●○	●●●	●●●●●●●●●	—	—	●●●●●●●●●	●●●●●●●●○	●●●●●●●●●	—
Audit Committee	—	—	●●●	●●●●	—	●	—	—	—	●●●●	—	—	—
Remuneration & Nomination Committee	—	●●○	—	●●●●●	—	●●	●●●●●	—	—	—	●●●●●	—	—
ESG Committee	●●●●●	—	—	—	●●●●●	—	●●●●●	—	—	—	●●●●●	—	—

1. Steve Callaghan stepped down from the Board and Committees with effect from the close of the Annual General Meeting on 18 May 2023.
2. Karen Bomba joined the Board and Remuneration & Nomination Committee with effect from 1 June 2023.
3. Caroline Brown joined the Board and Audit Committee with effect from 1 June 2023.
4. Qinggui Hao stepped down from the Board with effect from 27 September 2023.
5. Nannan Sun joined the Board with effect from 27 September 2023.

Board performance evaluation

As in the previous year, the Board performance evaluation for 2023 was an internally facilitated process, led by the Company Secretary, with the next externally facilitated evaluation due to be undertaken in 2024. Questionnaires were designed to capture and build on the feedback from the previous year, to test whether outcomes from actions taken had been sufficient, and to highlight areas for further improvement. Committee specific evaluations were also issued for 2023, considered particularly important to ensure that the new Committee structure implemented at the end of 2022 had resulted in the desired increase in efficacy.

Topic areas were consistent with the previous evaluation and included questions on the effectiveness of members of the Board and Committees. Responses were collated and fed back to each Committee and the Board in an anonymised format together with a final update on the completed agreed actions which had come out of the 2022 evaluation. The Board had previously reviewed the progress against actions agreed from the 2022 evaluation at the half year to ensure it remained focussed on improvement.

The outcome of the 2023 evaluation demonstrated a desire to build on training opportunities and briefings provided during the year and a continuous review of the scheduling and efficient use of time of the Board and Committees during the year.

The Board is cognisant of the need to ensure not only that Board and Committee members' time is used effectively, but also to ensure that the Executive Directors are able to direct and guide the business whilst also providing useful and timely information to the Board.

There was general agreement that the strengthening of the Board with the additional appointments during the year had already seen increased diversity of thought and discussion at meetings and this was expected to grow as the Board matured.

A set of actions was agreed by the Board to address any areas where improvements had been identified and these would be monitored by the Board throughout 2024.

The Senior Independent Director met with each of the Non-Executive Directors and the two Executive Directors individually without the Chair present in the latter part of the year to assess and evaluate the Chair's performance. (The nominated Director for Weichai was not included in this process since Nannan Sun was new to the role.) Meetings covered a range of topics including how Board meetings are run, engagement with investors and other stakeholders, and engagement with the Executive team. The SID briefed the Chair on the outcome of the evaluation and some of the points raised were discussed by the Chair at the meeting of the Non-Executive Directors in December.

Board performance evaluation continued

The evaluation of the Chair concluded that meetings were effectively run by a well-prepared Chair. The Chair's non-adversarial manner and ability to deal effectively with conflicting views were highlighted as was the inclusive and respectful atmosphere at meetings, with all members feeling free to express their views and confirming that they were invited to do so. The very mature state of the governance was also noted.

In addition to the performance evaluation questionnaires, Board members were also asked to complete a Board skills assessment. This process was designed to highlight the current strengths and weaknesses in terms of key business areas which could then be addressed through training opportunities and considered when ensuring that the composition of the Board and its skills were appropriate.

The outcome of the skills assessment was fed back to the Remuneration & Nomination Committee and it was agreed that the breadth of relevant skills across the Board was appropriate for the business.

Stakeholder engagement

The Board is accountable to the Company's shareholders and seeks ways to engage with them to fully understand their views. Regular communication through the various channels of the Regulatory News Service, media, face-to-face meetings, investor roadshows and conferences, press interviews and the Annual General Meeting ensures that shareholders are kept informed of the progress of the Company. The Company's website is kept up to date with all announcements and Annual Reports.

Trine Borum Bojsen is the Board's designated Employee Engagement Director and throughout the year has met with colleagues across the business in dedicated employee engagement sessions at both the Horsham and Redhill sites and at Connect meetings (the employee forum). In addition a "meet the Board" session was held for employees at the Horsham site in March which allowed the Board to meet people in a more informal setting and answer questions. The ESG Committee and the Board received the results of the annual employee engagement survey which ensured they were cognisant of the issues which really mattered to employees at Ceres.

The Company engages with all its stakeholders in many different ways and more information on how it has done so during 2023, along with how Board decisions have taken into account stakeholder views, can be found in the Stakeholder Engagement (S172 Statement) section on page 28 of the Strategic Report.

The Board welcomes shareholder attendance and participation at its Annual General Meeting in 2024 and all Directors and Committee Chairs will be available to answer questions.

Culture and values

Maintaining a culture rooted in the values of Ceres remains a priority for the Board and it ensures that these values are at the heart of business strategy and decision making. (The Company's values are set out on page 2.) The Executive Committee is responsible for ensuring these values are demonstrated to the employees on a day-to-day basis and the implementation of policies and procedures, including a refresh of the Company's Code of Conduct & Business Ethics during 2023, helps to embed the desired attitudes and behaviours throughout the business.

Compliance with the UK Corporate Governance Code 2018

The Company has applied the principles of the Financial Reporting Council's ("FRC") UK Corporate Governance Code 2018 and complied with the provisions since 29 June 2023 to 31 December 2023. The full text of the UK Corporate Governance Code 2018 can be found on the FRC's website at www.frc.org.uk. The following table sets out the principles of UK Corporate Governance Code 2018 and signposts the location of supporting information within this report, and on our Company website at https://www.ceres.tech/about-us/corporate-governance/

A	Board effectiveness Pages 44–54	B	Purpose, values, strategy and culture Pages 1–42 and 44–54
C	Board decision making Pages 28–29 and 44–54	D	Engagement with stakeholders Pages 28–29 and 44–54
E	Oversight of workplace policies and practices Page 44–54; 55–58; 86–89; and Company website	F	Role of the Chair Pages 44–54 and Company website
G	Independence and division of responsibilities Pages 44–54 and Company website	H	External commitments and conflicts of interest Pages 44–54
I	Board resources Pages 44–54	J	Appointments to the Board and succession planning Pages 44–54 and 59–62
K	Board composition and length of tenure Pages 44–54 and 59–62	L	Board evaluation Pages 44–54; 55–58; 59–62; and 84–85
M	Financial reporting, external and internal audit – independence and effectiveness Pages 98–135 and 55–58	N	Fair, balanced and understandable assessment Pages 55–58 and 86–89
O	Risk management and internal controls Pages 36–39 and 55–58	P	Remuneration policies and practices; executive remuneration Pages 63–83
Q	Remuneration Policy Pages 63–83	R	Independent judgement and discretion Pages 59–62 and 63–83

Culture and values continued

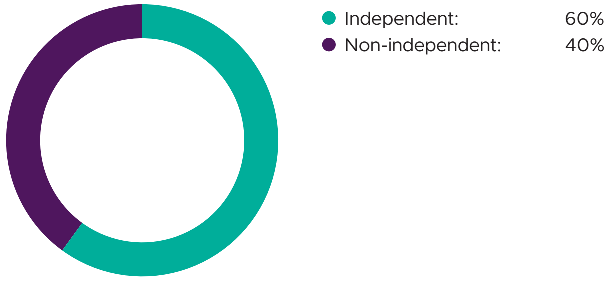
The Board undertakes a deep dive into an operational area at most of its meetings and the HR deep dive undertaken during the year further enabled the Board to obtain a clear understanding of the ways in which culture is monitored and maintained and to ensure that engagement and motivation of employees is effective. One of the key mechanisms is through the annual engagement survey and both the Board and the ESG Committee review the results of this survey. Increased engagement and positive feedback demonstrated a healthy culture and the Board is keen to ensure this is maintained and strengthened. Ensuring the culture of the business aligns with the Company's strategy is imperative to the achievement of the strategic objectives and through discussions the Board regularly seeks assurance from the Executive Committee that the Company culture is nurtured sufficiently.

Trine Borum Bojsen, as Employee Engagement Director, has further enabled a triangulation of feedback to the Board that the business maintains a healthy culture through face-to-face meetings with employees across the business and a collation and reporting back of findings to the ESG Committee and the Board. This, together with the input from the Chair of the employee group Connect at ESG Committee meetings, gave the Board assurance that the values of the Company were being demonstrated and embodied across the Company.

Speaking up

The Company's Speak Up Policy enables employees and third parties (which includes consultants, contractors, and casual and agency workers) to report any concerns that they do not feel they can raise with their Line Manager to a restricted access email address. Concerns can be dealt with anonymously if the reporter wishes, and any parties concerned in the report are removed from the investigation process. Concerns are investigated thoroughly and the Audit Committee receives an annual report on key themes, outcomes and actions identified.

Board independence (excluding the Chair)



The Board reviews interests on an ongoing basis but also formally reviews annually the Interests Register to ensure its assessments of independence remain current.

The Board has concluded that all the Non-Executive Directors (including the Chair) are independent in compliance with the Code with the exception of Uwe Glock and Nannan Sun (until 27 September 2023, Qinggui Hao) who, as nominee Directors of Bosch and Weichai Power respectively, represent major shareholders of the Company. Therefore, in compliance with Code requirements, at least half the Board (not counting the Chair) are considered independent.

In compliance with the Code, Aidan Hughes will step down from the Board at the conclusion of the Annual General Meeting in 2024, having served as a Director since 2015.

Steve Callaghan stepped down from the Board at the Company's Annual General Meeting on 18 May 2023. Despite his tenure exceeding the nine-year threshold, and as reported in the 2022 Annual Report, Steve was deemed independent until he stepped down due to his independence of character and objectivity.

The Non-Executive Directors do not receive any remuneration other than their fees and reimbursement for expenses incurred. They do not participate in any share option, bonus or pension arrangement. More details on the Non-Executive Directors' fees are set out in the Directors' Remuneration Report.

Governance framework

Accountability

Reporting

Shareholders and other stakeholders
The owners of the Company and those with an interest in its long-term sustainable success.

More information on how the Board has considered and engaged with its stakeholders can be found in the S172 Statement on pages **28** to **29**

PLC Board
Restricted PLC Board
Promotes the long-term sustainable success of the Company
Sets purpose, values, culture and strategy
Oversees and monitors delivery of the strategy through systems of internal control and risk management
Decisions take into account Director responsibilities under S172 of the Companies Act 2006

More information on the activities of the Board can be found on page **54**

Audit Committee
Oversees and receives reports on financial reporting, risk management, internal controls and the activities of external and internal audit functions

Remuneration & Nomination Committee
Sets Remuneration Policy for Chair, Executive Directors and Senior Management; reviews composition and skills and recommends appointments to the Board

ESG Committee
Oversight and monitoring of environmental and social strategies and actions of the Company and related governance activities and publications

Disclosure Committee
Assesses the existence of inside information and whether disclosure to the market is required (in the absence of the PLC Board); and ensures procedures and controls in place

More information on the members of the Committees of the Board can be found on pages **45** to **47**

Executive Committee
Weekly meetings – operational matters
Risk review meetings
Quarterly business reviews
Assessment and monitoring of performance and progress; and identifies necessary adjustments
Strategy meetings
Strategy review and proposal to PLC Board
More information on the members of the Executive Committee can be found on page **48**

Operational ESG Committee
Environmental and social plans and actions and related governance activity
Reporting and publications; policies and procedures; and ESG risk management

Steering Committees
Commercial Steering Committee
Oversees and approves commercial project routemap, aligned with the strategy
Technology Steering Committee
Oversees and approves technology project routemap aligned with the strategy
Product Steering Committee
Oversees and approves new product introduction programmes aligned with the strategy
Intellectual Property ("IP") Operational Committee
Implementation and execution of IP strategy, policy, protocols and training

Conflicts of interest

The Company operates a Conflicts of Interest Policy and in addition, specifically for Board members, an Additional External Appointments Policy. The Conflicts of Interest Policy is provided to all employees on induction with training provided which must be refreshed annually.

Under the Additional External Appointments Policy Directors are required to seek approval from the Board prior to accepting any external appointments. The Board holds an Interests Register for the Directors which it reviews annually and declarations of potential conflicts of interest with any item on a meeting agenda are stated at the start of each meeting of the Board and its Committees. Where such a conflict is deemed to arise, the Director concerned is not party to the discussions and decision making.

Whilst the majority of business is conducted by the entire Board, an additional Restricted Board meeting is held without the non-independent Non-Executive Directors present, covering items for which they would be conflicted.

Internal controls and risk management

Ensuring the Company has a sound and robust system of internal controls and a risk management framework that enables the effective management of risk is a key responsibility of the Board. The Board has delegated responsibility of the oversight of internal controls to the Audit Committee and more information on the work of the Committee can be found on pages 55 to 58.

During the year the Company appointed Grant Thornton UK LLP as an outsourced provider of internal audit and risk. Grant Thornton UK LLP has no other connection to any of the Directors of the Company. The Board reviews the risk register regularly and this year undertook a process to identify and set its risk appetite for the business. More information on the risk management framework can be found on pages 36 to 39.

Board support

All Directors have access to the Company Secretary for support and advice on governance matters. They have the right to seek independent legal or other professional advice at the Company's expense in the furtherance of their duties.

Newly appointed Directors are provided with a tailored induction which includes a briefing on their responsibilities and duties as a Director by the Company Secretary and role specific meetings and introductions to the business.

Formal and ad hoc training, conferences and seminar opportunities are offered to all Directors and specific briefing sessions were undertaken during the year on areas identified which included remuneration and ESG. Directors are briefed on current developments, best practice and governance and regulatory issues throughout the year.

Board activities 2023

Strategy	• Development of strategy sessions at Board meetings • Performed annual strategic review • Off-site strategy meeting – refreshed strategy
Performance	• Operational reports at each Board meeting • CEO report at each Board meeting • Deep dives undertaken during the year: finance and investor relations; operations; commercial; technology; intellectual property; and Human Resources
Finance	• CFO report at each Board meeting • Budget review • Business plan review • Approved final and interim financial results and Annual Report and Accounts
Risk Management	• Reviewed and approved risk register and principal risks • Set risk appetite • Oversaw appointment of Grant Thornton UK LLP as outsourced internal audit and risk provider
ESG	• Approved Sustainability Report • Received reports from the Employee Engagement Director • Reviewed shareholder engagement plan • Reports from ESG Committee
Governance	• Approved move from Alternative Investment Market to the Main Market of the London Stock Exchange • Committee reports after each Committee meeting • Reviewed progress against Board performance evaluation actions and results and proposed actions • Approved insurance renewal; refreshed policies, including the revised Code of Conduct and Business Ethics, approved Notice of Annual General Meeting • Reviewed Interests Register; and Matters Reserved to the Board

Audit Committee report

Committee membership

Aidan Hughes (Committee Chair)

Caroline Brown

Tudor Brown

Introduction

I am pleased to present the Audit Committee (the "Committee") Report for the year ended 31 December 2023.

In the year that Ceres achieved a major milestone in moving up to the Main Market of the London Stock Exchange, the Audit Committee has ensured that the internal systems, controls and processes remain fit for purpose and suitably robust. In the latter part of the year, the new internal audit team (more about this later in this report) has been invaluable and the Committee looks forward to the development of the internal audit framework which will support and underpin the systems of internal control and risk management.

Committee composition

The Committee comprises three Independent Non-Executive Directors. Until May 2023, when he stood down from the Board, Steve Callaghan was a member and I thank him for his commitment and effort until his departure. Caroline Brown became a member of the Committee on her appointment to the Company in June 2023 and we welcome her extensive audit, risk and financial experience, crucial to the continuity of the Committee particularly as I will step down from the Board at the 2024 Annual General Meeting in compliance with tenure best practice. In December 2023, the Board also appointed Karen Bomba to the Committee with effect from 2024 and we look forward to benefitting from her knowledge and experience.

The Committee as a whole has recent and relevant financial experience and also specifically of the fuel cell and engineering sectors. More details on the skills and experience of the Committee members can be found on pages 45 to 47.

The Executive Directors, finance team members, and internal and external audit teams all attend meetings as required.

Role of the Committee

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

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

Key activities 2023

The Committee met four times during the year ended 31 December 2023 and attendance by members is set out on page 50 of the Corporate Governance Report.

The key activities undertaken by the Committee are set out in the following chart:

Internal audit and risk management

Until early 2023, the internal audit function was undertaken by a Company employee, who subsequently left the business. The Committee, alongside the Chief Financial Officer, consequently undertook to review the most effective mechanism for internal audit, particularly in the context of the intended move up to the Main Market of the London Stock Exchange which would bring additional scrutiny. It was concluded that an outsourced provider of an internal audit function was the best solution for the near to medium term as this would provide a breadth of expertise and knowledge which would prove invaluable to the business as it matures. As a result of a tender process Grant Thornton LLP was selected as the Company's internal audit provider and commenced in the second half of the year, also reviewing the risk management framework and facilitating the development and conclusion for 2023 of the Board's risk appetite. Grant Thornton LLP has no other connection to the Company or any of its individual Directors. More information on the risk management framework is detailed on pages 36 to 39.

The internal audit plan for 2023 had been approved by the Committee at the end of 2022. The refreshed plan for 2024 was to be reviewed for approval by the Committee at its meeting in early 2024.

Internal controls

The Committee monitors financial and operational internal controls, reviewing and approving policies and strategies during the year including the Tax Policy and strategy; the Treasury Policy; non-audit fees; the annual health & safety report; the Anti-Bribery & Corruption Policy; and an annual report on Speak Up. The Committee also monitored the follow-up and completion of actions arising from the Financial Position and Prospects Procedures process undertaken for the move up to the Main Market of the London Stock Exchange.

The Committee aims to ensure the integrity of the financial statements made by the Company and to safeguard the assets of the Company. The Directors reviewed the effectiveness of the system of material internal financial, operational and compliance controls during 2023, receiving assurance reports throughout the year and at the year end. No material or significant control deficiencies were identified and mitigation actions for any other potential issues are continuing.

Significant financial reporting matters

A number of prior period corrections were identified during the audit, the main ones relating to the historical timing and treatment of revenue recognition and foreign exchange impact for long term contracts, the dilapidation provision and capitalisation of relevant costs.

The main impact is a reduction of revenue in 2021 and 2022, with offsetting increases of revenue in 2023 and 2024. Please see note 1 of the Financial Statements for further detail.

During the year, the Committee received and considered reports from the Chief Financial Officer in respect of the Group's material accounting judgements and estimates, and subsequently approved the disclosure set out in note 1 to the Group's financial statements.

The Committee considered the following significant financial reporting matters, estimates and judgements, amongst others, when approving the Group financial statements for the year ended 31 December 2023:

Revenue recognition in respect of existing customer contracts

During the year, the Group recognised revenue of £22.3 million (2022 restated: £19.8 million) relating to commercial and development contracts with customers. Further details are set out in note 2 to the Group financial statements.

The Group's material contracts generally involve the provision of a number of services typically including engineering services, access to or sale of technology hardware and licences. Significant judgement is required at contract inception to allocate revenue and value the different performance obligations. Significant financial reporting matters were identified and documented earlier in this report.

In addition, during the year, the Committee has reviewed management's ongoing judgements applied to recognising revenue for the significant Doosan and Bosch collaboration agreements. This included a review of estimates used for percentage completion based on forecast labour hours to complete. Subsequently, and as referred to earlier in this report, adjustments have been identified and documented in note 1 to the financial statements.

Intangible assets (capitalised development costs)

The Group began capitalising development costs as internally generated assets from 2019 in accordance with IAS 38. Since then the Group has reviewed and assessed all customer and internal development programme expenditure to ascertain whether it is appropriate to capitalise development costs under IAS 38.

The assessment process requires significant judgement to be applied by management in respect of identifying whether a particular project has passed the relevant milestone gate and commercial net present value criteria to begin capitalisation, confirming when development activities are completed and therefore ceasing capitalisation of costs, in assessing appropriate periods of amortisation and considering the need for any impairments.

The Committee reviewed and agreed the Group's accounting policy with respect to the capitalisation of development costs. The Committee reviewed management reports summarising the treatment of capitalised costs during the year, together with reviewing reporting from the external auditor on the subject, and is satisfied that the accounting treatment and disclosure of capitalised development costs are appropriate. In addition, the Committee considered management's approach of continuing to expense SOEC-related costs and agreed with its assessment that the relevant threshold to capitalise costs has not yet been met due to the uncertainty around future commercial uptake. As at 31 December 2023, Ceres had signed no SOEC licencees.

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

Provisions relating to warranty and dilapidations

As at 31 December 2023, the Group held provisions of £2.3 million (2022 restated: £2.1 million) for property dilapidations and £0.6 million (2022: £0.9 million) for warranties. The Committee reviewed the approach for assessing these provisions with management, noting that professional advisers updated the assessment of the dilapidations provision for 2023. Significant financial reporting matters were identified and documented earlier in this report.

The warranty provision consists of constructive obligations and the Committee reviewed management's assessment of the provision, which was based on past performance, customer expectations and a weighting of outcomes.

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

Valuation of inventory

As at 31 December 2023, the Group had £2.8 million (2022: £5.7 million) of inventory, relating to raw materials, work in progress and finished goods. During the fourth quarter of 2023 the Group determined inventory relating to the next generation of Ceres' solid oxide technology had met the criteria for recognition as set out in IAS 2 Inventories and could therefore be recognised on the Statement of Financial Position.

The valuation of inventory requires certain judgements and estimates to be made in respect of net realisable value and classification. The Committee reviewed these judgements and estimates and is satisfied that the valuation of inventory as at 31 December 2023 is appropriate. Further details around inventory are set out in note 14 to the Group financial statements.

Annual Report and Accounts for the year ended 31 December 2023

Since the end of the financial year, the Committee has reviewed the contents of the Annual Report and Accounts (which includes TCFD) considering whether the information provided enables an assessment of the Group's position and performance, business model and strategy. The Committee (and subsequently the Board), assessed the report with the following factors in mind:

- Fair – No omission of important or sensitive elements
- Balanced – Consistent throughout; balance of statutory and adjusted measures
- Understandable – well set out; clear and cohesive

The statement made by the Board is set out on page 89 of the Directors' Report.

External audit

BDO LLP was reappointed as the Company's external auditor at the Annual General Meeting of the Company held in May 2023 to hold office until the 2024 Annual General Meeting. BDO LLP was first appointed at the Company's Annual General Meeting on 4 December 2019 and the Company became a Public Interest Entity ("PIE") on 29 June 2023 on its move up to the Main Market of the London Stock Exchange. Therefore, in compliance with the Competition and Markets Authority's Statutory Audit Service for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the "CMA Order"), and the Companies Act 2006, the next mandatory tender process for the external auditor services will be undertaken ahead of the audit year ending 2033 (ten years from the first appointment) and the audit partner rotation will be due in 2028.

The Company does not currently plan to tender for the provision of external audit services earlier as it believes that the continuity of provider and its understanding of the business are beneficial. Annual reviews of the effectiveness and independence are and will continue to be undertaken to ensure that the auditor continues to be independent and appropriate.

The Company is in full compliance with the CMA Order which details the mandatory use of competitive tender processes for the provision of statutory audit services.

External audit continued

Prior to every Committee meeting the Chair of the Committee meets with the external audit partner to discuss any issues arising. The Committee meets with the external auditor regularly without management present and specifically at the time of the interim and full year results to ensure that its independence is maintained and to enable the Committee to discuss any matters directly with the auditor.

At the end of the year the Committee undertook a thorough review of the effectiveness and objectivity of BDO LLP in compliance with the requirements of the Financial Reporting Council's ("FRC") Audit Minimum Standard. In discussion with the external auditor at audit closing meetings, directly with the Committee Chair and with the Committee as a whole, it was determined that all potential risks to audit quality had been suitably identified and addressed, that the controls used by the auditor to address these potential risks were satisfactory and that there were no concerning actions as a result of internal and external inspections of the audit firm. The Committee received assurance from the auditor on the actions taken at the firm as a result of the FRC's quality audit (the outcome of which the Audit Committee reviewed).

The Committee discussed with the management team how the audit had been conducted and confirmed that interaction between the auditor and teams had been appropriate and proportionate.

The Committee reviewed and agreed the management letter and the work undertaken by the auditor both at the year end and the interim results to ensure that it reflected an understanding of the business and its strategy. It was informed of any instances of challenge by the auditor and how these were resolved with management to reach a satisfactory outcome.

The Committee ensures each time it receives the interim or year-end plan from the auditor that the internal teams are resourced appropriately to respond and also that the auditor's team has the appropriate knowledge and skills to assess the business. It assesses whether the audit plan has been met and discusses any areas for concern or improvement which may be suggested by either the auditor or the Company.

Non-audit fees

The Committee monitored the implementation of the Non-Audit Fees Policy which aligns with the FRC's Revised Ethical Standard published in December 2019.

The Committee previously approved BDO LLP to provide reporting accountant services to the Company in relation to the Group's successful move to the Main Market. The Committee considered the impact on the independence of the external auditor and was satisfied that the appropriate safeguards were in place to maintain its independence. Further, the Committee was satisfied that the provision of such a service was permitted under the Ethical Standard and was one off in nature. The fees paid to the external auditors include amounts relating to the review of the interim accounts for the six months to 30 June 2023. The fees paid are set out on page 109 of the notes to the financial statements.

Committee performance evaluation

In the latter part of the year the Committee undertook a Committee performance evaluation designed to test the effectiveness of the Committee throughout the year. The evaluation took the form of an anonymous questionnaire to members of the Committee. Collated results were received at the December meeting and demonstrated that members felt that the Committee had operated effectively throughout the year and that whilst risk assessment in the period between the internal audit manager's departure and the incoming Grant Thornton LLP had continued, it was expected that this would evolve swiftly now that they were in post. The Committee concluded that its members had the necessary skills and experience to continue to perform effectively.

Aidan Hughes
Committee Chair
12 April 2024

Committee membership

Tudor Brown (Committee Chair)
Julia King
Warren Finegold
Karen Bomba

Introduction

I am pleased to present the Remuneration & Nomination Committee (the "Committee") Report for the year ended 31 December 2023.

The first full year of the Committee operating as a combined Remuneration & Nomination Committee has worked well. Items for discussion relating to remuneration and nomination are regularly linked and we have found this an efficient use of our Committee members' time.

The Committee has had a busy year with the conclusion of the Non-Executive Director search, and a rigorous review of the Company's Remuneration Policy. Ensuring the Remuneration Policy is aligned with our strategy and is appropriate for the Company's position in the market is crucial to effectively attract, motivate and retain talent. In the latter part of 2023 we reached out to our top shareholders and the proxy voting agencies to invite them to engage on our draft Remuneration Policy to enable us to consider and, if appropriate, include their feedback.

Committee composition

Membership of the Committee comprises four Non-Executive Directors. Until he stepped down from the Board at the Company's Annual General Meeting on 18 May 2023, this included Steve Callaghan and I would like to thank Steve for his valuable input. On her appointment from 1 June 2023, Karen Bomba joined the Committee and we welcome her extensive experience and perspective.

The Chair of the Board is also a member of the Committee in order to ensure nomination matters have the required input and leadership. The Chair of the Board was considered independent on appointment to the Committee and does not chair the Committee at any time.

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

Other Directors and individuals such as the Chief People Officer and external advisers are invited to attend meetings as required.

Role of the Committee

The Committee has a dual role such that it covers both the requirements of a Remuneration Committee and also those of a Nomination Committee. The Committee governs all aspects of the Chair, Executive Directors and Executive Committee members' remuneration and reward arrangements and advises on employee benefit structures for the Company. It is responsible for reviewing the composition and structure of the Board and for identifying and recommending candidates for Executive and Non-Executive Director appointments. The Terms of Reference for the Committee are available on our website at:

www.ceres.tech/about-us/corporate-governance

Committee activities 2023

Remuneration

- Reviewed and refreshed Remuneration Policy
- Approved 2022 bonus outcome
- Approved Directors' Remuneration Report 2022
- Approved 2023 bonus targets
- Reviewed share plans
- Approved 2023 LTIP awards
- Approved Sharesave grant 2023
- Annual salary review

Nomination

- Recommended renewal of the Chair of the Board's term of office
- Recommended replacement SID
- Recommended two new Non-Executive Directors and replacement nominee Non-Executive Director
- Reviewed Non-Executive Director Independence/ Interests Register
- Recommended approval of Gender Pay Report
- Reviewed stakeholder engagement plans
- Succession planning

Reviewed Committee Terms of Reference and performance

The Committee met five times during the year ended 31 December 2023 and attendance is shown on the table on page 50 of the Corporate Governance Report.

The chart above shows the key activities undertaken by the Committee during the year and more information on the remuneration aspects can be found in the Directors' Remuneration Report and the Remuneration Policy on pages 63 to 83.

Remuneration advisers

As reported in 2022, the Committee engaged WTW as its remuneration adviser in the latter part of 2022. WTW has no other connection with the Company or any of its individual Directors.

Nomination matters

Board composition

The Board comprises 11 Directors, six of whom are considered independent (excluding the Chair). Steve Callaghan was our Senior Independent Director until he stepped down from the Board at the Company's 2023 Annual General Meeting whereupon Julia King was appointed to the position. Caroline Brown and Karen Bomba's appointments became effective on 1 June 2023 and they joined not only as Board members but as members of the Audit Committee and this Remuneration & Nomination Committee respectively. Commencing in January 2024, in preparation for Aidan Hughes' departure in May 2024, Karen Bomba also becomes a member of the Audit Committee.

As detailed in the 2022 Annual Report, the Non-Executive Director search process we conducted specifically sought skills pertinent to an Audit Committee member in order to replace the outgoing member (Steve Callaghan) and more specifically to plan for the succession of Aidan Hughes as Chair of the Audit Committee. An additional Non-Executive was sought to bring additional skills and experience to the Board as a whole and to assist with an ever increasing workload for the Board. The process undertaken for the recruitment and appointment is set out on page 61.

Russell Reynolds Associates conducted the search process which identified possible candidates based on criteria set by the Board. (Whilst Russell Reynolds had been engaged in the past for previous candidate searches, they had no other connection to the Company or any of its individual Directors.) Once a shortlist had been identified by the Committee, candidates met with the Chair of the Board prior to a final selection of suitable candidates who met with Board members prior to a final recommendation for appointment being made.

Succession planning

The Committee reviewed succession plans during the year for Board and Executive Committee roles to ensure that the future of the business was safeguarded, and that sufficient effort and attention was being paid to the leaders of the future. Encouraging and developing a diverse pipeline of talent is key to the long-term sustainability of the Company and is inextricably linked with the attraction and retention of talent. (More information on the Remuneration Policy can be found on pages 63 to 83).

The tenure of each Board member is set out in the chart on page 47 and is monitored carefully to ensure suitable plans are in place for the renewal and recruitment required to ensure the continuity of the Board.

As mentioned in the Corporate Governance Report, this year as part of the Board performance evaluation process Board members were asked to complete a skills assessment to help to identify any skills gaps or areas we could seek to strengthen in the future. The outcome of this assessment was collated and reported to the Committee in the latter part of the year and can be found below. Work will continue into 2024 to monitor and strengthen any areas where Board members have requested further support.

	Member										
Experience	Karen Bomba	Trine Borum Bojsen	Caroline Brown	Tudor Brown	Warren Finegold	Uwe Glock	Aidan Hughes	Julia King	Phil Caldwell	Eric Lakin	Nannan Sun
Senior leadership	Considerable	Considerable	Considerable	Considerable	Considerable	Considerable	Considerable	Considerable	Considerable	Considerable	Considerable
Industry	Some	Considerable	Some	Some	Some	Considerable	Considerable	Considerable	Considerable	Some	Considerable
Global	Considerable	Considerable	Some	Considerable	Considerable	Considerable	Considerable	Some	Considerable	Considerable	Some
Financial	Some	Some	Considerable	Some	Considerable	Some	Considerable	Some	Some	Considerable	Some
Innovation and technology	Considerable	Considerable	Some	Considerable	Some	Some	Considerable	Considerable	Considerable	Some	Considerable
Public company and corporate governance	Some	Some	Considerable	Considerable	Considerable	Some	Considerable	Some	Some	Some	Some
Government relations and regulatory	Some	Considerable	No	Considerable	Some	Considerable	Considerable	Considerable	No	No	No
Risk management	Some	Some	Some	Some	Considerable	Considerable	Considerable	Some	Some	Some	Some
Environmental and sustainability	Some	Considerable	Some	No	Some	Some	Some	Considerable	Some	No	Some
Executive compensation	Considerable	Some	Some	Considerable	Considerable	Considerable	Some	Some	Some	Some	Some

Key: No experience Some experience Considerable experience

Search firm engaged

- Board sets desired criteria for skills and experience
- Draft specifications produced and provided to Remuneration & Nomination Committee
- Long list presented to Remuneration & Nomination Committee
- Shortlisted candidates meet with Chair of the Board
- Suitable candidates meet other identified members of the Board
- Candidate selected based on merit and criteria and recommended by the Remuneration & Nomination Committee to the Board
- Board approval of appointment
- Appointment confirmed and announced

Tailored induction process commences

Gender balance and ethnicity

The Board believes strongly that diversity of thought is crucial to effective decision making and that diversity in all its forms is beneficial in the composition of the Board. The gender balance of the Board is set out on page 47 and whilst a nominal target is not the Board's motivation for recruitment, it is a welcome outcome of suitable appointments to the Board. The current gender balance meets the Financial Conduct Authority's ("FCA's") target of at least 40% women on boards.

Julia King was appointed as the Senior Independent Director ("SID") succeeding Steve Callaghan in May 2023. Julia's extensive experience was deemed to be invaluable in approaching the role which requires an ability to balance views and act as an intermediary both to other Directors and to shareholders if required. This appointment further complies with the FCA's target for at least one of the senior roles on the Board to be held by a woman (Chair, CEO, CFO or SID) which was met on her appointment to the role on 18 May 2023.

The Company has a Diversity, Equality, Belonging and Inclusion Policy which the Board reviewed and approved during the year. The Board supports and demonstrates a culture of inclusion and welcomes diversity throughout the business recognising the benefits and strengths that come with different backgrounds and perspectives.

In compliance with Listing Rule 9.8.6R the following tables set out the disclosed gender balance and ethnicity of our Board members and Executive Committee team as at the year ended 31 December 2023. Data was collated via a restricted questionnaire to each Director and Executive Committee member with options consistent with those set out in the tables below (including an option to decline in compliance with the UK General Data Protection Regulation). An acknowledgement that the data provided would be published in this report and provided to the Parker Review was also included. The data collated confirmed that the Board, as at 31 December 2023, met the target set by the Parker Review of at least one Director from a minority ethnic background.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management
Women	5	45.5%	1	3	37.5%
Men	6	54.5%	3	5	62.5%
Other categories	0	0.0%	0	0	0.0%
Prefer not to say	0	0.0%	0	0	0.0%

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Asian/Asian British	1	9.1%	0	0	0.0%
Black/African/Caribbean/Black British	0	0.0%	0	0	0.0%
Mixed/multiple ethnic groups	1	9.1%	0	0	0.0%
Other ethnic group, including Arab	0	0.0%	0	0	0.0%
White British or other White (including minority White groups)	9	81.8%	4	8	100.0%
Not specified/prefer not to say	0	0.0%	0	0	0.0%

* Executive Management includes the CEO and CFO.

With reference to the Parker Review, the business will review and consider ethnicity targets for its Senior Management team during 2024 which it will aim to achieve by 2027.

Director induction and onboarding

Incoming Directors undertake a tailored induction programme which includes briefings on their duties as a Director, the listed company environment, and Company specific policies, and procedures and Board pack software. A series of one-to-one meetings with Board members and Executive Committee members along with on-site visits and tours are undertaken to ensure new Directors have a thorough understanding of the business. Whilst inductions are designed to cover all necessary aspects for a new Director, requests for additional meetings or information are met wherever possible.

Director re-election

All Directors are subject to annual re-election at the Company's Annual General Meeting in compliance with the Corporate Governance Code 2018 and the Company's Articles of Association. By the date of the 2024 Annual General Meeting which will take place in May, Aidan Hughes, the Chair of the Audit Committee, will have exceeded the nine-year best practice term for a Non-Executive Director and consequently will not stand for re-election. Aidan will step down from the Board at the conclusion of the Annual General Meeting. All other Directors will stand for re-election, with new Directors Caroline Brown, Karen Bomba and Nannan Sun standing for their first election. Details of the skills, experience and specific strengths each Director brings to the Board are set out on pages 45 to 47.

Committee performance evaluation

At the end of the year the Committee undertook an evaluation which, amongst other aspects, was designed to test the effectiveness of the amalgamation of the remuneration and nomination elements. The Committee received the outcome of the evaluation at its December meeting and it concluded that the Committee considered that the new formation had worked effectively during the year and that Committee members had the appropriate skills and experience to fulfil their duties for the Committee.

Tudor Brown
Committee Chair
12 April 2024

Tudor Brown (Committee Chair)
Remuneration & Nomination Committee

Statement by the Chair of the Remuneration & Nomination Committee

Dear Shareholders,

As Chair of the Remuneration & Nomination Committee (the "Committee"), I am pleased to present our 2023 Directors' Remuneration Report on behalf of the Board.

The report is divided into the following sections:

Please refer to pages 59 to 62 for details of the composition and focus of the Committee during 2023.

Business context and Company performance

As covered elsewhere within the Annual Report, 2023 was a challenging but significant year for repositioning the business for future success. Ceres continued to invest in the development and demonstration of its electrolysis technology whilst maintaining a focus on ensuring existing partners were supported to continue progress towards start of production and commercialisation of our fuel cell technology for power generation. The financial result, whilst in line with last year, fell short of target and this is reflected in the remuneration outcomes for 2023. Following a thorough strategy review Ceres set out its mission to accelerate entry into the hydrogen market.

Notable achievements for 2023 were:

- revenues of £22.3 million (£19.8 million in 2022);
- gross margins of 61% (54% in 2022);
- Bosch received European funding of €160 million for 'power units' based on Ceres' technology;
- successful demonstration of a 1MW-scale electrolyser;
- Doosan factory commissioning commencement;
- successful testing of new generation stack for commercialisation, offering improvements in cost and performance; and
- move to the premium (FTSE) market of the London Stock Exchange.

Statement by the Chair of the Remuneration & Nomination Committee continued

Review of Remuneration Policy

In preparation for the move to the premium (FTSE) market, the Committee conducted a detailed review of our existing Remuneration Policy (the "Policy") in conjunction with our external remuneration advisers (WTW).

Our appetite for growth remains strong and with our sector-leading gross margins and our operational and strategic momentum, we continuously look to strengthen the work with our licence partners and build commercial scale.

To drive growth, it is natural for technology businesses to pay a modest base salary and comparably high variable incentives. Ceres remains committed to ensuring executive pay aligns with delivering the growth envisioned, and ultimately value to shareholders, through leveraging a high-variable, low-fixed compensation structure.

We, therefore, reviewed our remuneration approach in light of the above principles as well as the current market conditions, with an objective to align our compensation more closely with that of Main Market peers over time whilst upholding our remuneration philosophy.

Benchmarking undertaken against the FTSE 250 Index as well as a smaller group of comparable market peers, showed that the current remuneration levels of our Executive Directors are significantly lower, both in terms of fixed pay and total compensation. Our proposed approach aims to continue to our growth philosophy in our remuneration arrangements, begin a journey to position pay at the right level for senior executives whilst recognising market expectations, and reflect the shareholder experience over the recent share price volatility.

Despite being below the benchmark, considering the share price performance of the Company, and in keeping with the overarching principle of driving and rewarding a high growth strategy, for this Policy period, a small number of changes were put forward as follows:

Remuneration Policy element	Description of proposed change
Incentives	Reductions to the Policy maximum for the annual bonus (from 225% to 200% of base salary) and long-term incentive plan (from 300% to 250% of salary) to closer align with FTSE market peers. Target as a percentage of maximum annual bonus is also reduced to be more in line with FTSE peers.
Shareholding guidelines	Increase to the minimum shareholding guideline to align with FTSE practice and introduction of post-cessation shareholding guidelines for our Executive Directors.
Salary increases	A modest increase for the Executive Directors in 2024, in line with the wider workforce, with a view to more substantial increments in subsequent years when financial performance improves.

Shareholder engagement

We engaged with our major shareholders (representing >60% of shareholdings) and advisory bodies during December 2023 to provide an overview of the proposed changes and seek their feedback. The feedback received was both favourable and constructive. We noted the request for holistic and detailed rationale in our publicly disclosed documents.

In conjunction with the review of the Policy, a review of the existing Long-Term Incentive Plan ("LTIP") was conducted. The Committee will be seeking to draw up a new LTIP plan for 2026 which will be put to shareholder vote at the AGM in 2025.

The changes to our Policy are detailed on pages 68 to 74. We will be seeking shareholder support for the new Policy at our Annual General Meeting ("AGM") in May 2024. Further details on the Resolution can be found in the Notice of Annual General Meeting on the Company's website.

Wider workforce remuneration

The overarching remuneration arrangements for the wider workforce are reviewed by the Committee and taken into account when considering the remuneration arrangements for the Executive Directors and Executive Management team.

Feedback is received by the Committee via employee engagement sessions along with the annual employee survey and considered against emerging trends and best practice as shared by the Chief People Officer and external compensation advisers.

We reviewed the performance measures and outcomes associated with the contractual and discretionary bonus schemes to ensure alignment with our strategy, Company performance, remuneration philosophy and the approach to awards at Executive Director level.

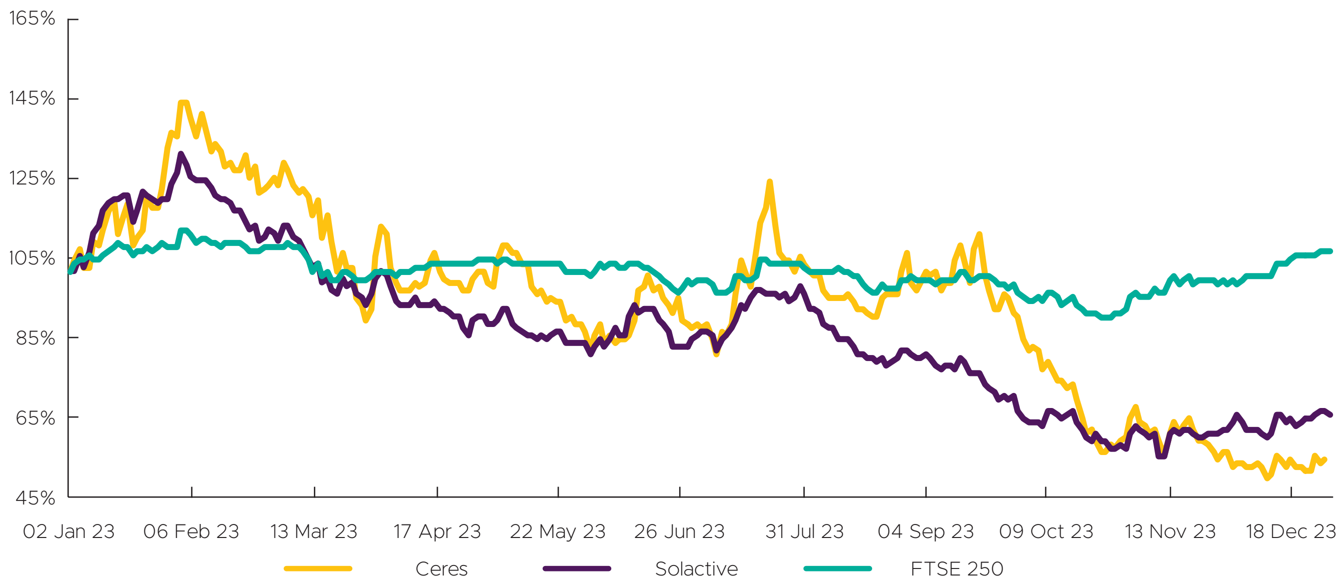
The Committee also reviewed the quantum and timing of broader workforce salary awards, closely monitoring the impact of rising inflation as well as Company performance. Salary awards for 2023 were implemented in a tiered bottom-up approach applied to the different levels within the organisation, ranging from 8% at the lower quartile down to 2% at the Senior Leader level with the Executive Directors and Executive Management team receiving no increase in 2023.

For 2024, a Company budget has been set of 6%, with a Company-wide increase of 3% applied in January 2024 to be followed by a further review in July 2024, which represents the timing of annual salary reviews in future years. This was communicated out to managers and employees, with feedback sought via managers, during January 2024.

All permanent employees are offered the opportunity to become shareholders of Company through participation in the employee Sharesave scheme (UK-based employees only) and the LTIP where appropriate.

Share price performance

Our share price saw continuing decline during 2023, consistent with the Solactive Hydrogen Economy Index, of which Ceres is a participant (see relative TSR chart below for 2023), and representative of the ongoing volatile and uncertain economic backdrop faced in the market in general. This had a significant impact on the LTIP vesting position for the 2021 – 2023 LTIP scheme.



The Committee did consider whether a reduction to the LTIP grant level for the 2024 – 2026 LTIP scheme would be prudent but concluded from its discussions that the Executive Management team had taken appropriate action to adjust the strategy and minimise the risks arising from the impact of the broader economic conditions.

Remuneration decisions

The Committee carefully considered remuneration decisions and outcomes to ensure they reflected the Company performance, and the Committee did not seek to use its discretion to adjust the formulaic bonus and LTIP outcomes for 2023, with its decisions summarised below.

Salary

Having implemented a pay freeze for the Executive Directors in 2023, a 6% salary increase was applied to Phil Caldwell (CEO) and Eric Lakin (CFO) for 2024. This was determined based on the benchmarking exercise completed as against the Company performance for 2023, recognising the need to adjust base pay and seek alignment with the wider workforce.

2023 bonus awards

When determining the bonus outturns, the Committee considered the formulaic outcome of the corporate key performance indicators along with the wider business and individual impact and performance in 2023, incorporating ESG achievements.

In considering the overall financial and operational performance of the Company, the Committee determined an annual bonus award of 44% of maximum for Phil Caldwell and 42.8% of maximum for Eric Lakin (equivalent to 66% and 64% of base salary respectively) was appropriate.

2021 LTIP awards

The 2021 LTIP measuring performance in the 2021 – 2023 period, did not vest due to lower than targeted revenue growth, a decline in share price and a delay to partner production schedules.

Chair and Non-Executive Director fees

The Committee considered the fees for the Chair and Non-Executive Directors in 2023 as proposed by the Executive Directors, with an increase to £180,000 per annum being applied to the Chair (Warren Finegold) upon listing on the FTSE premium market to recognise the expanded reporting and governance responsibilities of our Board. No increase in fees was applied to rest of the Non-Executive Directors in 2023 and no further increases are planned for 2024.

2024 bonus and LTIP criteria

The Committee intends to adopt a similar approach to the framework of the bonus scorecard and LTIP performance criteria in 2024, with the main change being the reduction of the target threshold vesting level to 60% (down from 70%). Full details of these awards will be shared in the 2024 and 2026 Remuneration Reports respectively.

Closing remarks

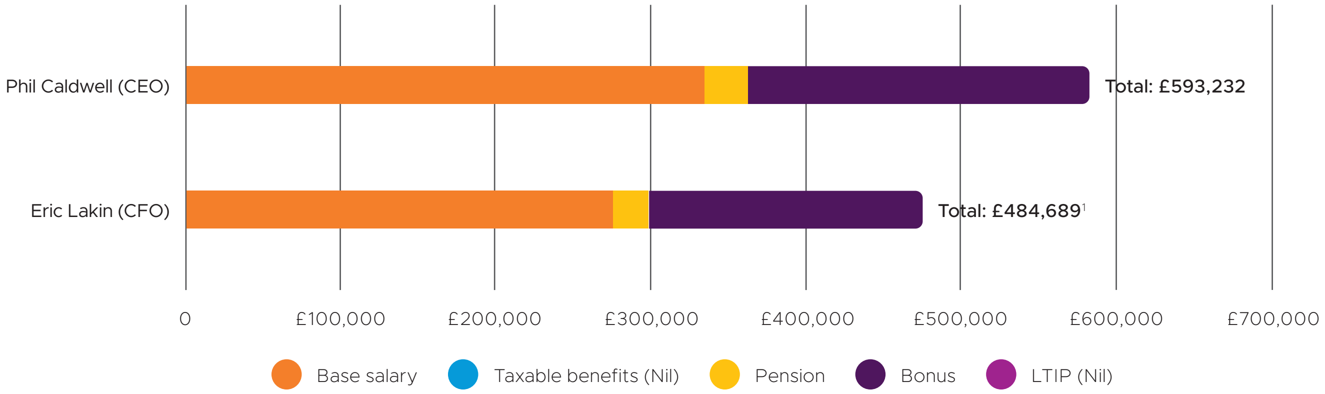
On behalf of the Committee, I would like to thank shareholders for their engagement on remuneration matters over the past year and look forward to continuing the dialogue during 2024, especially in the context of implementing the new Policy being presented for approval at the AGM.

Tudor Brown
Chair of the Remuneration & Nomination Committee
12 April 2024

Remuneration at a glance (audited)

Overview of Executive Director remuneration in 2023

Single figure remuneration at a glance



Fixed pay and shareholding	
Actual salary	
Phil Caldwell (CEO)	Eric Lakin (CFO)
£334,056[2]	£275,000
(↑0%)	(↑0%)
Pension	
Phil Caldwell (CEO) £28,107 (8%)	Eric Lakin (CFO) £23,139 (8%)

The maximum annual pension contribution/cash allowance for Executive Directors is in line with the rate for all employees at up to 8% in the UK.

Shareholding	Target levels, % of base salary	Actual levels, % of base salary (at 31.12.23)
CEO	150%	729%
CFO	100%	9%

Variable pay	
2023 annual bonus awards	
Phil Caldwell £231,000[3]	Eric Lakin £176,550
(44.0% of maximum)	(42.8% of maximum)
Long-Term Incentive Plan (2021–2023 LTIP vesting outcome)	
Phil Caldwell £0	Eric Lakin N/A

Measures	Weighting	Achievement
Cumulative income	40%	Below minimum threshold
Share price	35%	Below minimum threshold
Partner progress	25%	Below minimum threshold

1. Eric Lakin received a premium listing incentive of £10,000 as a result of Ceres successfully moving to the premium (FTSE) market of the London Stock Exchange.
2. Phil Caldwell's base pay rate for 2023 of £350,000 was adjusted to take account of a month's sabbatical during August 2023.
3. Phil Caldwell's bonus award for 2023 was calculated using his base pay rate.

Remuneration at a glance (audited)

Overview of Executive Director remuneration in 2024

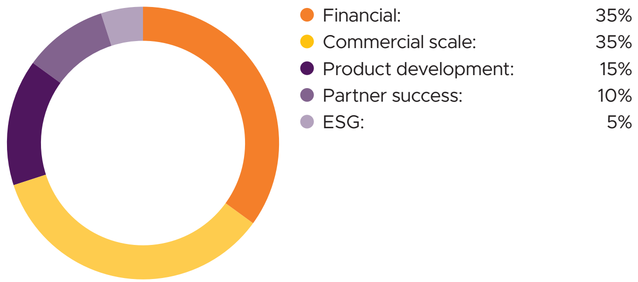
Fixed pay and shareholding	
Base salary	
Phil Caldwell (CEO)	Eric Lakin (CFO)
£372,000	£292,000
(↑6%)	(↑6%)
Pension	
Phil Caldwell (CEO)	Eric Lakin (CFO)
£29,760 (8%)	£23,360 (8%)

The maximum annual pension contribution/cash allowance for Executive Directors is in line with the rate for all employees at up to 8% in the UK.

Shareholding	Target levels, % of base salary	Actual levels, % of base salary (at 20.02.24)
CEO	200%	729%
CFO	150%	9%

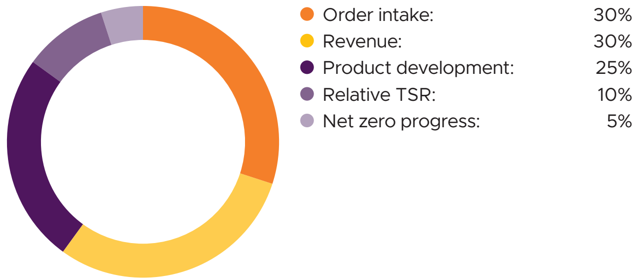
Variable pay		
Target annual bonus (% of base salary)		
	Phil Caldwell	Eric Lakin
Target	90%	90%
Maximum	150%	150%

Bonus scorecard



LTIP target awards (% of base salary)		
	Phil Caldwell	Eric Lakin
Target	150%	120%
Maximum	250%	200%

Performance Criteria



Corporate governance

Executive Directors' Remuneration Policy

Changes to Remuneration Policy and its implementation

The table below summarises the main proposed changes to the Executive Directors' Remuneration Policy (the "Policy"), the intended changes to implementation of the Policy in 2024 and the rationale for each change.

Shareholders are being asked to approve the new Policy at our Annual General Meeting in May 2024 which is intended to apply for the next three years.

Component	Proposed changes to policy	Implementation in 2024	Rationale for the change
Base salary	No change.	CEO: £372,000 (increase of 6%). CFO: £292,000 (increase of 6%). Increase for CEO and CFO in line with the wider workforce.	Recognition that a modest pay rise in line with the wider workforce is warranted given Company performance in 2024, but that current base pay levels remain below par and will require future adjustments to be competitive.
Annual bonus	Maximum of 200% of salary (decrease from 225%). 60% target bonus as a percentage of maximum (decrease from 70%).	Measures and weightings: commercial and financial measures will account for 70% of weighting. Strategic and ESG measures will account for 30%. Details on targets, and performance against them, will be fully disclosed in the DRR for the year-ending 31 December 2024.	Policy maximum for the annual bonus as well as target as a percentage of maximum reduced to align more closely with FTSE peers, whilst still focused on supporting high growth strategy.
Long-Term Incentive Plan ("LTIP")	Maximum of 250% of salary (decrease from 300%).	Measures and weightings to incorporate cumulative revenue and order intake; key business, ESG and technology milestones; and relative share price performance. Details on targets, and performance against them, will be fully disclosed in the DRR for the year-ending 31 December 2026.	Policy maximum for the LTIP reduced to align more closely with FTSE peers, whilst still focused on supporting high growth strategy.
Shareholding guidelines	Increase to minimum shareholding guideline. Introduction of post-cessation shareholding guidelines.	In employment: CEO: 200% of salary. Other Executive Directors: 150%. Post-employment (newly introduced): CEO: 200% of salary. Other Executive Directors: 150%.	Increase to the minimum shareholding guideline to align with FTSE peers and shareholder interests.

Executive Directors' Remuneration Policy continued

Remuneration Policy

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

Executive Directors' Remuneration Policy – fixed remuneration

Component	Purpose	Operation	Opportunity	Performance metrics
Base salary	To provide appropriate remuneration based on role remit and contribution to leadership and Company strategy.	Salaries are reviewed at least annually and take into account a range of factors, including: • market competitiveness for Executives in companies of a similar size and industry sector; • size and scope of the role; • skills and experience of the individual; • performance of the Group and of the individual; • wider market and economic conditions; and • internal relativities, including the level of increases being made across Ceres.	There is no defined maximum salary. The Committee's normal approach is to initially consider salary increases in line with the rest of the Company. Higher increases may be made if the Committee considers it appropriate, for example to reflect: • shortfall to market; • an increase in the scale, scope, or responsibility of the individual's role; • development of the individual within the role; • significant market movement; and • where the organisation has undergone significant change.	None.
Pension	To provide an opportunity for Executives and employees to build up income on retirement.	Executives participate in the Group Personal Pension ("GPP") plan, or a similar cash allowance is provided for those exceeding HMRC pension allowances. In certain jurisdictions, more bespoke pension arrangements may be provided. In such circumstances, the Committee will give appropriate consideration to local employment legislation, market practices and the cost of the arrangement.	The maximum annual pension contribution/cash allowance for Executive Directors is in line with the rate for all employees at up to 8% in the UK. Non-UK-based Executive Directors will be aligned with local market rates.	None.
Benefits	To provide market competitive employee benefits.	Benefits are reviewed and benchmarked periodically to ensure they remain affordable and competitive. Benefits include, but are not limited to, health-related benefits, Sharesave scheme and insurances. Where relevant, additional benefits may be offered if considered appropriate and reasonable by the Committee, such as assistance with the costs of relocation.	There is no defined maximum. Benefits plans are set at reasonable levels in order to be market competitive for their local jurisdiction and are dependent on individual circumstances. While the Committee has not set an overall level of benefit provision, the Committee keeps the benefit policy and benefit levels under review.	None.

Executive Directors' Remuneration Policy continued

Remuneration Policy continued

Executive Directors' Remuneration Policy – variable remuneration

Component	Purpose	Operation	Opportunity	Performance metrics
Annual bonus	To incentivise and reward strong performance against annual business goals and objectives.	The Committee will set performance metrics, weightings and targets at the start of each year. The Committee considers the extent to which these have been achieved and determines the award level, after the year-end. Recovery and withholding provisions apply to awards earned. The bonus is paid in cash at the end of the relevant financial year. The annual bonus is subject to malus and clawback provision.	The maximum award is 200% of salary. Target and threshold levels are set at 60% and 25% of maximum, respectively.	Using a weighted scorecard approach, performance is measured against agreed metrics. Whilst not an exclusive list, examples can include covering financial performance, commercial scale, licensee success, technological advancement, and other strategic and ESG measures. No bonuses are paid for below threshold performance. The Committee may award any amount between zero and 100% of the maximum opportunity. The Committee retains the discretion to adjust the bonus if it considers that the formulaic outcome does not reflect underlying business performance or the experience of shareholders.
Long-Term Incentive Plan ("LTIP")	To engage and motivate Executive Directors to deliver on KPIs that support the long-term Company strategy in order to deliver long-term returns to shareholders.	An annual award of Ceres Power Holdings plc shares, is granted annually and subject to performance criteria over a three-year performance period. An additional holding period of two years applies post vesting. The performance period normally starts at the beginning of the financial year in which the date of grant falls. Award levels and performance conditions are reviewed before each award cycle to ensure that they remain appropriate. Dividends (or equivalents) may be paid on vesting. Unvested awards are subject to a malus provision and vested awards are subject to clawback.	The annual maximum is 250% of salary. Threshold performance results in 25% vesting, rising to 100% vesting for maximum performance.	The vesting of awards is linked to agreed performance criteria which may include, but is not limited to: • financial performance; • licensee success; • key business and technology milestones; and • relative share price performance. Metric weightings and targets may vary from year to year. For each performance element, achievement of the threshold performance level will result in no more than 25% of the maximum award paying out. For achievement of the maximum performance level, 100% of the maximum pays out. Normally, there is straight-line vesting between these points. The Committee shall determine the extent to which the performance measures have been met. The Committee has discretion to amend the performance criteria in exceptional circumstances if it considers it appropriate to do so with appropriate justification and disclosure. The Committee (acting fairly and reasonably) has the ability to exercise discretion in adjusting the formulaic outcome of incentives to ensure the outcome is reflective of the performance of the Company and the individual over the period.

Executive Directors' Remuneration Policy continued

Other elements of Executive Director Remuneration Policy

Component	Purpose	Operation	Opportunity	Performance metrics
Shareholding guidelines	To ensure sustained alignment between the interests of the Executive Directors and shareholders.	CEO: 200% of salary. Other Executive Directors: 150%. There is an expectation that this shareholding requirement will be built over a period of five years.	None.	None.
Post-employment shareholding guidelines	To ensure there is an appropriate amount of "tail risk" for Executive Directors post cessation of employment.	CEO: 200% of salary. Other Executive Directors: 150%. Expected to hold shares of value equal to the minimum shareholding requirement for two years post-departure from the Company. In cases where the individual has not had sufficient time to build up their share ownership to meet the minimum shareholding requirement prior to their departure from the Company, the post-employment shareholding requirement will be based on their actual level of shareholding on departure. The Committee has discretion to vary or waive part or all of the post-employment shareholding requirement in exceptional circumstances.	None.	None.
Malus and clawback	The Committee in its absolute discretion may apply malus and/or clawback at any time prior to the vesting of an award that could reduce, cancel or impose further conditions and/or apply claw back at any time within three years of payment to receive back some or all of the vesting awards or paid bonus. Whilst not an exhaustive list, malus and/or clawback would apply to variable pay in certain specified circumstances including: • misconduct; • material misstatement or restatement of financial results affecting the assessment of a performance condition; or • where there has been an error or inaccuracy relating to the calculation or determination of variable pay.			
Executive Director service agreements	All Executive Directors have service agreements that terminate on six months' notice. Service contracts for new Executive Directors should not contain terms that are materially different from those summarised in this section or contained in the Policy. • Notice or contract periods should be one year or less. • The Company may terminate the contract at any time with immediate effect and pay a sum in lieu of notice. • The Company has the right to place Executive Directors on garden leave. • The Company may terminate the contract summarily in particular defined circumstances without further payment, such as gross misconduct.			

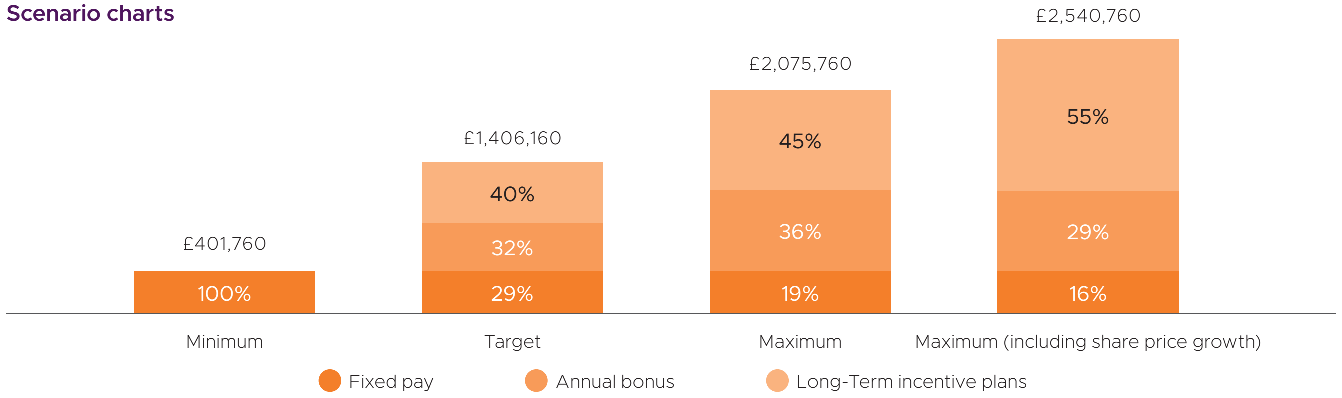
Executive Directors' Remuneration Policy continued

Other elements of Executive Director Remuneration Policy continued

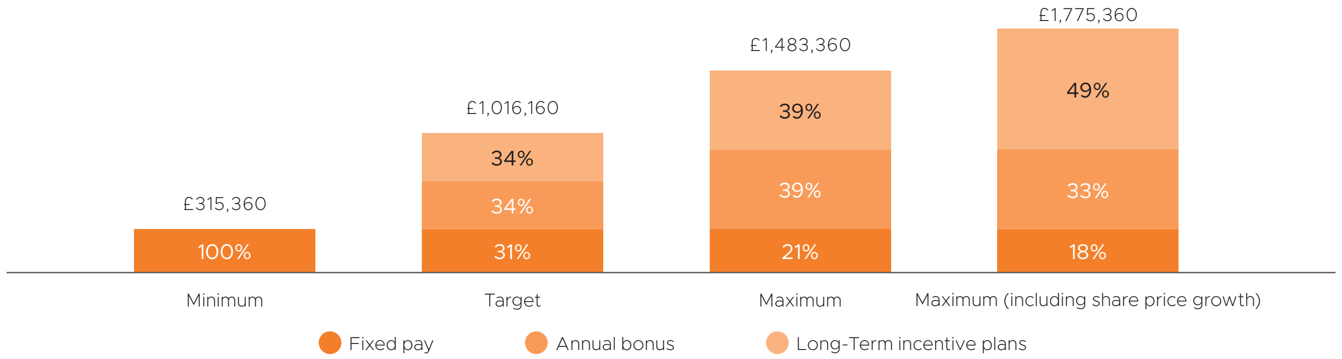
Component	Purpose	Operation	Opportunity	Performance metrics
Approach to recruitment remuneration for Executive Directors	Typically, new Executive Directors' ongoing remuneration will be set in a manner consistent with the Remuneration Policy. When a new Executive Director is recruited, the Committee may make an award to buy out variable remuneration arrangements forfeited on leaving a previous employer (accounting for form of award, value forfeit, performance conditions and time over which the award would have vested). Consistent with the UK Corporate Governance Code, the Committee would intend to pay no more than it believes is necessary to secure the required talent. The maximum level of variable pay that may be awarded to new Executive Directors (excluding buy-out arrangements) in respect of their recruitment will be in line with the maximum level of variable pay as outlined in the Remuneration Policy. The Committee will ensure such awards are linked to the achievement of appropriate and challenging performance measures. Appropriate and reasonable costs and support would be covered if the recruitment requires relocation of the individual.			
Principles of payment for loss of office for Executive Directors	The Company's approach to determining payment for loss of office will normally be guided by the following principles: • The Committee shall seek to apply the principle of mitigation where possible, as well as seeking to find an outcome that is in the best interests of the Company and shareholders as a whole, taking into account the specific circumstances. • Relevant contractual obligations, as set out above, shall be observed or taken into account. • The Committee reserves the right to make additional exit payments where such payments are made in good faith to satisfy an existing legal obligation (or by way of damages for breach of any such obligation) or to settle or compromise any claim or costs arising in connection with the employment of an Executive Director or its termination, or to make a modest provision in respect of legal costs and/or outplacement fees. • No awards should vest where an individual has been dismissed for cause. • The treatment of outstanding variable remuneration shall be as determined by the relevant plan rules. • Any payments for loss of office shall only be made to the extent that such payments are consistent with this Policy.			

Executive Directors' Remuneration Policy continued

Scenario charts



Phil Caldwell



Eric Lakin

The table below outlines the assumptions associated with the scenario charts above.

Performance scenario	Details of assumptions
Minimum (fixed remuneration)	• Comprised of base salary, benefits and pension, i.e. fixed remuneration. There is no bonus award and no vesting under the LTIP • Base salary with effect from 1 January 2024 • Benefits as they applied on 31 December 2023 and are set out in the single figure table in the Annual Report on Remuneration • Pension equivalent to 8% of base salary
Target	• Comprised of fixed remuneration, annual bonus and vesting under the LTIP • For on-target performance, it assumes payment of 60% of the maximum opportunity for the annual bonus award (120% for the CEO and 120% for the CFO) • For on-target performance, it assumes payment of 60% of the maximum opportunity for the vesting of the LTIP (150% for the CEO and 120% for the CFO)
Maximum	• Comprised of fixed remuneration, annual bonus and vesting under the LTIP • For maximum performance, it assumes payment of 100% of the maximum opportunity for the annual bonus award (200% for the CEO and 200% for the CFO) • For maximum performance, it assumes payment of 100% of the maximum opportunity for the vesting of the LTIP (250% for the CEO and 200% for the CFO)
Maximum + 50% increase in share price	• Comprised of fixed remuneration, annual bonus and vesting under the LTIP • For maximum performance, it assumes payment of 100% of the maximum opportunity for the annual bonus award (200% for the CEO and 200% for the CFO) • For maximum performance, it assumes payment of 100% of the maximum opportunity for the vesting of the LTIP plus an assumption of 50% share price appreciation during the performance period

Executive Directors' Remuneration Policy continued

Non-Executive Directors' Remuneration Policy

Component	Operation	Opportunity	Performance metrics
To attract and retain Non-Executive Directors of a high calibre that have the expertise, responsibility, and the time commitment to be able to contribute to an effective Board and deliver long-term sustainable shareholder value	Fees are normally reviewed on an annual basis and amended to reflect market positioning and any change in responsibilities on a needed basis. Directors have formal letters of appointment that can be terminated on one month's written notice by either side. The Committee recommends the remuneration of the Chair to the Board. Fees paid to Non-Executive Directors are determined by the Executive Directors and approved by the Board as a whole. The Chair and Non-Executive Directors receive no other pay or benefits, except for reimbursement of expenses, and do not participate in incentive plans. The Company covers the costs of attending meetings and Non-Executive Directors may be reimbursed for any business expenses incurred in fulfilling their roles.	The Chair is paid a single fee for all responsibilities. The Non-Executive Directors are paid a basic fee which encompasses membership of one Board Committee. Committee Chairs and those having other additional responsibilities may be paid an additional fee.	None.

Remuneration in wider context

When reviewing Executive remuneration, the Committee takes into consideration our wider workforce, to ensure that our total reward offering is compelling and aligned to our business performance, whilst supporting a culture that is inclusive and in which our people feel valued.

The Committee also takes into account the principles of the UK Corporate Governance Code and the factors outlined within Provision 40 as described below:

Area	Our philosophy and approach
Clarity and simplicity	Our remuneration principles and arrangements for the Executive Directors' are set out clearly in our Remuneration Policy and are closely aligned with the wider workforce arrangements, particularly with regard to the fixed pay elements. All employees are eligible to participate in a discretionary bonus scheme and are invited to invest in the long-term success of the business through our employee Sharesave scheme or Long-Term Incentive Plan. The committee will continue to consult with shareholders and employees to ensure our remuneration principles and arrangements are understood and supported.
Risk	We operate minimum shareholding requirements, a post-vesting holding arrangement and malus and clawback provisions to manage risk and ensure strong alignment to business performance and shareholder interests.
Predictability and proportionality	Our Remuneration Policy is based on the principles of modest base pay and defines clear maximum limits for variable based pay, with pay-outs under these elements being subject to meeting clear performance criteria which align to our business strategy and publicly stated ambitions.
Alignment to culture	Ceres' purpose, strategy and values continue to be directly reflected in our Remuneration Policy and the performance criteria set under the annual bonus and long-term incentive schemes.

Annual Report on Remuneration (audited)

Total remuneration for Executive Directors

The table below sets out a single figure for the total remuneration received by the Executive Directors for the year ended 31 December 2023.

	Phil Caldwell (CEO)		Eric Lakin (CFO)	
	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Salary[1]	334	350	275	275
Taxable benefits[2]	—	—	—	—
Pension	28	29	23	23
Total fixed remuneration	**362**	**379**	**298**	**298**
Annual bonus	231	184	177	144
LTIP[3]	—	240	—	—
Total variable remuneration	**231**	**424**	**177**	**144**
Total remuneration	**593**	**803**	**475**	**442**

1. Phil Caldwell's salary adjustment for 2023 incorporates a month's sabbatical taken during August 2023 based at 50% pay. His full-time equivalent salary remained at £350,000 per annum.
2. The only taxable benefit offered to the Executive Directors relates to a health care cash plan at single level cover, in line with the wider workforce, equating to £67.92.
3. LTIP: the amounts reported for 2023 relate to the 2021 LTIP scheme which did not vest. The amounts reported for 2022 relate to the 2019 LTIP which vested on 10 October 2022, at a market price of £3.37. The value of the LTIP is calculated as a product of the number of shares of the original award multiplied by the vesting percentage and the market price of ordinary shares at the vesting date.

The following sections provide further detail on the figures in the above table, including the underlying calculations and assumptions and the Committee's performance assessments for variable remuneration.

Base salary

When reviewing Executive Director salaries, in line with our Policy, the Committee will take into account a range of factors, including:

- market competitiveness for Executives in companies of a similar size and industry sector;
- size and scope of the role;
- skills and experience of the individual;
- performance of the Group and of the individual;
- wider market and economic conditions; and
- internal relativities, including the level of increases being made across Ceres.

The Committee opted to freeze Executive Directors' base pay in 2023 to allow for a greater base pay award for the wider workforce which ranged from 2% for senior management through to 8% at the lower levels of the organisation.

Annual Report on Remuneration (audited) continued
Total remuneration for Executive Directors continued
2023 annual bonus

The annual bonus is intended to reward the delivery of short-term targets derived from the business plan and annual budget. The Committee reviewed performance against the corporate key performance indicators ("KPIs") which form the basis of the scorecard for the annual bonus.

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

Measure	Description	Weighting (CEO/CFO)	Min Threshold (25%)	Target (70%)	Max (100%)	Result	Achievement
Commercial scale (25%)	Order intake	12.5%	£25m	£40m	£50m	£17m	0%
	New partners	12.5%	Expansion of licence	1 licensee	2 licensees	None	0%
Financial performance (20%)	Revenue	14%	£30m	£42m	£50m	£22m	0%
	Gross margin	6%	58%	66%	68%	61%	36%
Licensees to succeed (25%)	Bosch progress to start of production	15%		See note A		Target	70%
	Doosan progress to start of production	10%		See note B		Target	70%
Technology development (10%)	SOEC container commissioned	5%		See note C		Min-Target	48%
	Cell feature development	5%		See note D		Target	70%
Key enablers (20%)	Develop roadmap to net zero	5%/2.5%		See note E		Target	70%
	TCFD assessment	5%/2.5%		See note F		Max.	100%
	Engagement score	10%/5%	70%	76%	80%	80%	100%
	Personal objectives	0%/10%	25%	70%	100%	80%	80%
Overall bonus scorecard outcome							CEO: 44% CFO: 42.8%

Notes:

A. Key milestone for assessing Bosch progress to start of production related to the testing of new stacks by the end of the year (min. threshold = stacks built and ready to be tested; target = stack tests underway by end Q4; max = stack tests underway in Q3).

B. Key milestone for assessing Doosan progress to start of production related to progress of its factory build and commissioning (min. threshold = factory machines pre-acceptance test completed by year end; target = factory machines installed by year end; max. = factory machines installed and commissioned by year end).

C. Key measure for assessing success of the SOEC container related to system commissioning and efficiency (min threshold = container commissioned by year end + system efficiency of >77%; target = container commissioned by end Q3 + system efficiency of >80%; max. = container commissioned by end Q2 + system efficiency of >80%). The container was successfully commissioned during Q4 and delivered system efficiencies of 83%.

D. Key measure for assessing success of our cell feature development programme related to the proportion of features reaching technology readiness level 4 by year end (min. threshold = minimum viable specs by year end; target = 80% of features at TRL4 by year end; max. = 100% of features at TRL4 by year end). 80% of cell development features achieved TRL4 by the end of the year.

E. Key milestone for assessing our progress in developing our roadmap to net zero related to our net zero strategy readiness (min. threshold = net zero strategy workshops held and reduction options identified; target = target reduction strategies and scenarios identified; max. = net zero strategy published).

F. Key measure for assessing our performance against the Task Force on Climate-related Financial Disclosures ("TCFD") related to the number of disclosure recommendations fully met (min. threshold = 4 out of 11; target = 6 out of 11; max. = 7 or more). Our 2023 Sustainability Report addressed 7 out of 11 disclosure requirements.

The Committee did not seek to exercise its discretion to alter the outcome of the formulaic result of the bonus scorecard assessment and outcome. Accordingly, based on the individual weightings applied to each member of the Executive Management team, the Committee determined the final bonus outcome to be 44% of maximum for Phil Caldwell, resulting in a bonus award of £231,000, and 42.8% for Eric Lakin, resulting in an award of £176,550. Full bonus awards are payable in cash in March 2024.

Annual Report on Remuneration (audited) continued
Total remuneration for Executive Directors continued
Long-Term Incentive Plan vesting: 2021 LTIP

In December 2020, Phil Caldwell was granted a conditional share award under the 2021 LTIP of 250% of salary. Eric Lakin was not an Executive Director at the time and as such did not receive an award under this scheme.

In determining the vesting outcome, the Committee considered Ceres' performance over the three-year period from 1 January 2021 to 31 December 2023, based on the following performance criteria:

- Absolute share price: at the time of setting the performance criteria Ceres' share price was fluctuating in a range of £10-£12. The Committee sought to set performance criteria that would maintain this strong position and therefore set a minimum threshold (25% pay-out) at £8.70 and a maximum threshold (100% pay-out) at £14. In the intervening period the macroeconomic environment changed considerably; Ceres's share price saw a dramatic decline, albeit consistent with the market and industry peers, which meant that the share price criteria was not met.
- Cumulative income: the target for cumulative income was set by the Committee based on the five-year business plan for 2021 onwards, which saw a minimum threshold of £100 million and a maximum threshold of >£132 million. The delay to the formation of the China joint venture and the lack of any significant new licence partners meant that the cumulative income criteria was not met.
- Partner progress: whilst good progress has been made with regard to the build of partner production facilities, a delay to partner production schedules meant that the partner progress performance criteria was not met. Equally, whilst the Company is pleased to have secured it's first SOEC licence partner, this was secured just outside the stated performance period.

The table below illustrates the nil vesting outcome of the 2021 LTIP scheme.

Performance condition	Percent of the award based on performance condition	Result during performance period	Weighting x achievement
Share price[A] The percentage of the shares subject to an award will vest at the end of the vesting period as follows: • 100% if the Share Price equals or exceeds £14.00; • 20% if the share price is £8.70; and pro rata on a straight line basis if the share price is between £8.70 and £14.00; and • 0% if the share price is less than £8.70.	35%	The weighted average closing middle market price of shares in the period of three months ending on the last dealing day of the performance period was: £2.04. This resulted in an achievement level of 0%.	0%
Cumulative income[B] Achievement of cumulative income in the three years from 1 January 2021 to 31 December 2023 of greater than £132 million.	40%	Cumulative income of £75 million (2021 = £31.7 million; 2022 = £22.4 million; 2023 = circa £21 million). This resulted in an achievement level of 0%.	0%
Partner progress Two manufacturing partners remain on track for scale production of >100 MW cumulative in 2024 and a first SOEC licensee has been secured.	25%	Scale production capacity not met and SOEC licensee not secured within the performance period. This resulted in an achievement level of 0%.	0%
Overall LTIP performance criteria outcome			0%

A. As defined in the Award Certificate – the weighted average closing middle market price of shares in the period of three months ending on the last dealing day of the performance period.

B. Income is defined as the sum of revenue and grant income in the annual financial statements.

Annual Report on Remuneration (audited) continued
Total remuneration for Executive Directors continued
2023 LTIP

In 2023, the Executive Directors were granted conditional share awards under the LTIP as set out in the table below.

Scheme type	Type of interest awarded	End of performance period	Target award[A]	Minimum performance (% of shares awarded)	Maximum performance (% of shares of target award)
LTIP	Performance shares	31 December 2025	Phil Caldwell: 227,273 London-listed ordinary shares, equivalent to 2.5 x base salary. Eric Lakin: 142,857 London-listed ordinary shares, equivalent to 2.0 x base salary.	0	100%

A. The awards were based on the three-month weighted market share price leading up to the date of the grant (4 May 2023) for ordinary shares (£3.95).

The measures and weightings applying to the 2023 LTIP awards were:

Performance criteria	Minimum threshold (25%)	Target threshold (70%)	Maximum threshold (100%)	Weighting
Cumulative revenue and other income[A]		£m		25%
Order intake		£m		25%
Partner production capacity[B]		MW		25%
Relative TSR[C]	Median TSR	62.5 %ile	Upper quartile	25%

A. Other income includes grant income but excludes R&D expenditure credits).

B. Partner production capacity is based on total committed and publicly declared licensee partner capacity (fuel cell equivalent) by the end of the performance period.

C. Relative total shareholder return of the Company ("TSR") will be measured on a 50:50 ratio relative to the TSR performance of the FTSE 250 Index (excluding investment funds and financial services businesses) and the Solactive (Factset) Hydrogen Economy (NTF Index), of which Ceres is a constituent member.

Vesting under each performance criteria is assessed independently, with the vesting outcome ranging from 0% to 100% of maximum and applied on a pro rata straight-line basis between the minimum and target threshold and the target and maximum threshold.

Disclosing the threshold values for cumulative revenue and other income as well as order intake could be construed to constitute financial guidance, which is not the Company's intention, and is considered to be commercially sensitive. Likewise, partner production capacity is equally deemed commercially sensitive. Full details of the performance criteria will be disclosed following the end of the performance period, in the 2025 Directors' Remuneration Report.

Non-Executive Directors' remuneration (audited)

The table below sets out the remuneration receivable by the Non-Executive Directors in respect of the year ended 31 December 2023, alongside comparative figures for the prior year.

	31 Dec 2023 (£)	31 Dec 2022 (£)
Non-Executive Directors		
Warren Finegold	150,000	120,000
Aidan Hughes	70,000	70,000
William Tudor Brown[1]	78,000	60,000
Julia King[2]	73,571	55,000
Trine Borum Bojsen[3]	61,308	44,417
Caroline Brown[4]	32,083	—
Karen Bomba[4]	32,083	—
Uwe Glock	55,000	55,000
Nannan Sun[5]	13,750	—
Former Non-Executive Directors		
Steve Callaghan[6]	52,500	70,000
Qinggui Hao[5]	41,250	55,000

1. William Tudor Brown was paid £60,000 for the year ended 31 December 2022. Following his appointment as Chair of the Remuneration Committee on 15 March 2022 (which would become the Remuneration & Nomination Committee with effect from 2 November 2022), an additional £10,000 remuneration, taking his annual fee to £70,000, was applicable from that date. The additional remuneration of £8,000 was paid in March 2023.
2. Julia King was paid £55,000 for the year ended 31 December 2022. Following her appointment to the Tech and Ops Committee on 15 March 2022, an additional £5,000 remuneration, taking her annual total to £60,000, was applicable from that date. On 2 November 2022 Julia was further appointed as Chair of the ESG Committee, resulting in an additional £5,000 remuneration, increasing her annual fee to £65,000. The additional remuneration of £4,821 was paid in March 2023. In June 2023, Julia took over from Steve Callaghan as Senior Independent Director, increasing her annual fee to £70,000.
3. The remuneration paid to Trine Borum Bojsen accrued from her appointment on 15 March 2022. On 28 September 2022, Trine was appointed as Employee Engagement Director on behalf of the Board, resulting in her annual remuneration rising an additional £5,000. The additional remuneration relating to the period from 28 September 2022 to 31 December 2022, of £1,308 was paid in March 2023.
4. Caroline Brown and Karen Bomba joined the Board on 1 June 2023.
5. Qinggui Hao stepped down as the Weichai strategic representative on the Board on 27 September 2023 and was replaced by Nannan Sun with effect from the same date.
6. Steve Callaghan stepped down from the Board on 18 May 2023.

Annual Report on Remuneration (audited) continued
Total remuneration for Executive Directors continued
Non-Executive Directors' fees for 2024

The Non-Executive Directors' fee structure for 2024 is set out in the table below. No fee increases have been proposed from 2023 to 2024. Fees for the Non-Executive Directors (other than the Chair of the Board) are determined by the Chair and the Executive Directors. The fee structure is reviewed, but not necessarily increased on an annual basis.

Position	2024	2023
Chair of the Board	£180,000	£180,000
Board fee (incorporating membership of one Committee)	£55,000	£55,000
Senior Independent Director	£10,000	£10,000
Committee Chair	£10,000	£10,000
Additional Committee membership	£5,000	£5,000

Directors' shareholdings (audited)
Minimum shareholding requirements

The CEO and CFO are each required to build up to a minimum shareholding requirement ("MSR") of 200% and 150% respectively, within five years of their appointment. The MSRs for 2023 are set out below. Shares that count towards the MSR are ordinary shares beneficially held by the Executive Director and their connected persons and share awards are that are not subject to further performance conditions. Share awards included are the LTIP performance shares and the employee save as you earn ("SAYE") shares.

A further post-employment shareholding requirement applies to Executive Directors. For two years following cessation of employment, Executive Directors are required to hold shares to the same MSR that applied during employment; or, in cases where the individual has not had sufficient time to build up shares to meet their guideline, the actual level of shareholding at cessation.

Directors' share interests

	Ordinary shares held at 31 December 2023	Vested and exercisable	Unvested and subject to performance conditions	Value of shares counted towards MSR as a % of base pay
Executive Directors				
Phil Caldwell	365,888	1,035,695	357,740	729%
Eric Lakin	12,178		264,614	9%
Non-Executive Directors				
Warren Finegold[1]	10,004			
William Tudor Brown	15,000			
Aidan Hughes	31,520			
Uwe Glock	8,000			
Karen Bomba[2]	0			

1. Warren Finegold acquired a further 20,052 shares on 1 February 2024 taking his total shareholding to 30,056.
2. Karen Bomba acquired 12,121 shares on 29 January 2024.

Annual Report on Remuneration (audited) continued

Directors' shareholdings (audited) continued

Executive Directors' share plan interests

The following table sets out the Executive Directors' interests in Ordinary Shares under the Company's share plans.

Phil Caldwell	31 Dec 2022	Granted	Exercised	Lapsed	31 Dec 2023	Exercise price	Exercise period
Options	123,313		(11,859)	(111,454)		0.85	Nov 2019 – Nov 2023
Options (unapproved)	80,424				80,424	0.85	Jul 2017 – Jul 2024
Options (unapproved)	100,000				100,000	0.85	Jul 2018 – Jul 2024
Options (unapproved)	100,000				100,000	0.85	July 2019 – Jul 2024
Options (unapproved)	100,000				100,000	0.85	Jul 2020 – Jul 2024
SAYE (approved)	4,610		(4,610)			1.95	Feb 2023 – Jul 2023
SAYE (approved)	1,510				1,510	5.96	Jun 2025 – Dec 2025
SAYE (approved)		2,877			2,877	3.13	Jun 2026 – Dec 2026
LTIP	558,593		(200,000)		358,593	0.10	Sep 2019 – Sep 2026
LTIP	87,000				87,000	0.10	Oct 2020 – Oct 2027
LTIP	138,530				138,530	0.10	Oct 2021 – Oct 2028
LTIP	71,148				71,148	0.10	Oct 2022 – Oct 2029
LTIP	114,107			(114,107)		0.10	Dec 2023 – Dec 2030
LTIP	126,080				126,080	0.10	Mar 2025 – Mar 2032
LTIP		227,273			227,273	0.10	May 2026 – May 2033
	1,605,315	230,150	(216,469)	(225,561)	1,393,435		

Eric Lakin	31 Dec 2022	Granted	Exercised	Lapsed	31 Dec 2023	Exercise price	Exercise period
SAYE (approved)	3,020			(3,020)	—	5.96	Jun 2025 – Dec 2025
SAYE (approved)	—	2,877			2,877	3.13	Jun 2026 – Dec 2026
LTIP	118,880				118,880	0.10	Mar 2025 – Mar 2032
LTIP	—	142,857			142,857	0.10	May 2026 – May 2033
	121,900	145,734		(3,020)	264,614		

Loss of office payments to Directors

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

CEO to employee pay ratio (Option B methodology)

The table below shows the CEO pay ratios for 2023 using method B (gender pay gap methodology) relative to the 2022 pay ratios. The pay ratios set out below were calculated using the Company's gender pay data based on employees as at 5 April 2023.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2023	B	13.0	10.2	7.5
2022	B	18.3	15.7	8.2

Method B was selected as it made use of robust readily available data reported as part of our gender pay reporting requirements. Total pay was calculated for a sample of employees at each quartile in order to ensure that the three identified employees were suitably representative of their quartile. A full-time equivalent total pay figure was calculated for each identified employee within their respective quartile using the single figure methodology.

The CEO pay ratio figures for 2023 reduced from 2022 due to the freeze applied to Executive Directors' pay in 2023 and the nil vesting of the 2021 LTIP. The Committee is comfortable that the pay ratios are consistent with the pay, reward and progression policies of the Company.

The following table sets out the base salary and total pay figures for the employees identified at each quartile.

Year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2023	Base salary (FTE)	£29,160	£48,500	£62,100
	Total pay (FTE)	£41,7171	£52,974	£71,962

1. Total pay at the 25th percentile includes shift overtime payments only available to these individuals.

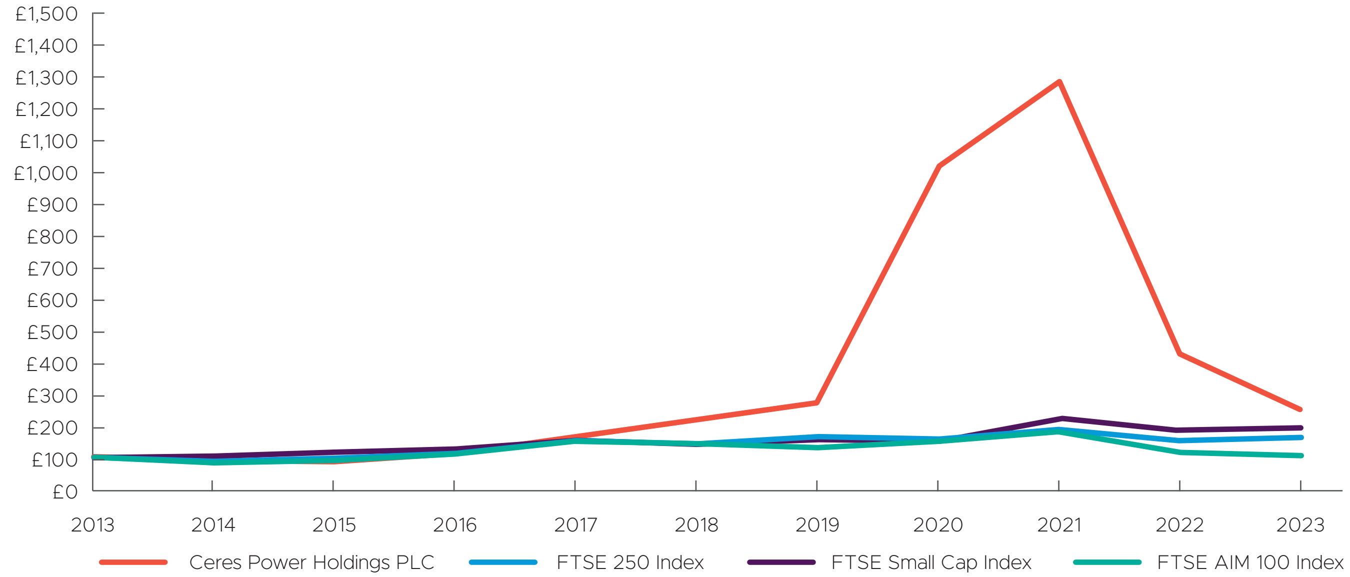
Annual Report on Remuneration (audited) continued

Directors' shareholdings (audited) continued

Historic TSR performance and CEO remuneration (unaudited)

The graph below compares the TSR performance of a share of Ceres over the past 10 years with the TSR of the FTSE 250 index, the FTSE Small Cap Index and the FTSE AIM 100, rebased to 100 at the start of the period. Since the move to the Main Market in June 2023, the Committee consider the FTSE 250 and FTSE small cap indices appropriate reference points for the share price performance of the company. Before moving to the Main Market, Ceres was a constituent of the AIM market, performance against the FTSE AIM 100 index over this period of time is provided as additional reference.

TSR of Ceres Power vs the FTSE 250 Index, FTSE Small Cap Index and FTSE AIM 100 Index



The table below shows the historic single total figure of remuneration for Phil Caldwell, who was appointed CEO on 2 September 2013 (£'000).

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total remuneration	180	230	290	305	320	424	566	503	563	583
Bonus (% of max)			80%	90%	98%	86%	84%	43%	35%	44%
LTIP (% of max)[1]						86%	100%	100%	44%	0%

1. The LTIP scheme was established in 2016 and first vested in 2019.

Annual percentage change in remuneration of Directors and employees

The table below shows the annual percentage change in remuneration during 2023 for the Executive and Non-Executive Directors relative to Ceres employees. Salaries and pension increases from 2022 for employees are calculated based on average employee numbers after removing Directors. Bonus represents the actual increase less Directors.

2023 change (%)	Salary/fee	Pension	Bonus
Employees	13%	14%	30%
Executive Directors			
Phil Caldwell	0%	0%	26%
Eric Lakin	0%	0%	22%
Non-Executive Directors			
Warren Finegold[1]	25%	—	—
Aidan Hughes	0%	—	—
William Tudor Brown[2]	30%	—	—
Julia King[2]	34%	—	—
Trine Borum Bojsen[2]	38%	—	—
Caroline Brown[3]	N/A	—	—
Karen Bomba[3]	N/A	—	—
Uwe Glock	0%	—	—
Nannan Sun[4]	N/A	—	—

1. Warren Finegold's fees increased by 50% upon listing to the premium (FTSE) market index in July 2023.
2. The increase in fees for William Tudor Brown, Julia King and Trine Borum Bojsen reflect the adjustments made to their board responsibilities during 2023 and 2022 which were backdated in 2023.
3. Caroline Brown and Karen Bomba joined the Board on 1 June 2023.
4. Nannan Sun joined the Board on 27 September 2023.

Annual Report on Remuneration (audited) continued

Directors' shareholdings continued

Relative importance of spend on pay

Under the regulations, companies need to illustrate the relative importance of spend on pay, by disclosing the total employee remuneration and returns to shareholders (i.e. dividends and share buybacks) in the reporting year and prior year. As the Company is still pre-profit, there is no relevant data relating to returns to shareholders. Therefore, other Company metrics have been used in the table below to show employee remuneration in the context of overall business activities. In order to provide context for these figures, total expenditure is also shown.

	2023	2022	Change (%)
Total employee remuneration (£'000)	35,500	28,584	24%
Total expenditure (£'000)[1]	76,286	66,806	14%

1. Total expenditure = adjusted EBITDA less revenue and other operating income.

Statement of planned implementation of Policy in 2024

Fixed pay

Salary

Before reviewing the Executive Directors' salary for 2024, the Committee took into account, the results of the comprehensive benchmarking exercise conducted by WTW, the previous year's business performance and the proposed budget for wider workforce pay increases.

	2023		2024	
£'000	Change from 2022	Base pay	Change from 2023	Base pay
Phil Caldwell	0%	350	6%	372
Eric Lakin	0%	275	6%	292

The increase to current Executive Directors' base pay for 2024 of 6% mirrors the budgeted base pay increases for the wider workforce. The Committee recognises that higher base pay awards will be required in the future to maintain a comparable position with industry and market peers, but these will be subject to a strong underlying business performance.

Benefits

No significant changes to the provision of benefits are proposed for 2024.

Pension

Executive Directors' pensions remain aligned with the wider workforce at 8% of base salary.

Pay for performance

Annual bonus

The main proposed change to the operation of the annual bonus plan is the reduction of the target threshold to 60% of maximum.

	Target annual bonus (% of base salary)	
	Phil Caldwell	Eric Lakin
Target	90%	90%
Maximum	150%	150%

The construct of the bonus scorecard will mirror the previous year with five categories (and their associated weighting) as follows:

- order intake (35%);
- revenue (35%);
- product development (15%);
- partner success (10%); and
- ESG (5%).

Scorecard targets will be disclosed in the subsequent Directors' Remuneration Report when they are no longer deemed to be commercially sensitive.

Annual Report on Remuneration (audited) continued

Directors' shareholdings continued

Pay for performance continued

2024 Long-Term Incentive Plan

The Committee intends to make a conditional award of performance shares under the 2024 LTIP to the Executive Directors' with a maximum value of 250% and 200% of base salary for the CEO and CFO respectively.

Performance will be measured over the three-year period from 1 January 2024 to 31 December 2026. The performance measures and their associated weightings are likely to be as follows:

- order intake (25%) – measured as a cumulative figure in £m by the end of the performance period;
- revenue (25%) – measured as a cumulative figure in £m by the end of the performance period;
- product development (30%) – measured as progress achieved relative to our product and technology roadmap for our SOEC technology; and
- relative TSR (20%) – measured as relative total shareholder return using two peer groups (split 50:50), namely the FTSE 250 Index alongside the Solactive Hydrogen Economy Index, which is a more industry specific index.

The threshold levels for each element of the performance criteria will be constructed as follows:

Performance criteria	Minimum threshold (25%)	Target threshold (70%)	Maximum threshold (100%)	Weighting
Order intake		£m		25%
Cumulative revenue and other income		£m		25%
Product development		Progress against product and technology roadmap		30%
Relative TSR	Median TSR	62.5 %ile	Upper quartile	20%

Remuneration governance

Committee role and membership

These details are provided in the Remuneration & Nomination Committee Report on page 59 to 62.

External advisers

Following the appointment of WTW, during 2022, as external independent advisers to the Committee, WTW provided a comprehensive review of our Long-Term Incentive Plan and conducted an extensive benchmarking exercise during 2023. During the year, in addition to the consultancy services provided directly to the Committee, WTW also supported the HR team with access to its wider market salary benchmarking database as well as providing advisory services in relation to a number of risk-related benefits.

The Committee is satisfied that the advice and services provided by WTW have been objective and independent. WTW's fees during 2023 amounted to £80,784.

Shareholder voting

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes.

A resolution to approve the Directors' Remuneration Policy and the Directors' Remuneration Report as set out in the 2022 Annual Report was passed at the Company's 2023 AGM. The results of the votes on these resolutions were as follows:

Number of votes	Votes in favour	Votes against	Votes withheld
2022 Directors' Remuneration Policy	128,207,667 (94.96%)	6,803,863 (5.04%)	58,236 (0.04%)
2022 Directors' Remuneration Report	114,262,913 (84.63%)	20,747,597 (15.37%)	59,256 (0.04%)

Committee membership
Julia King (Committee Chair)
Trine Borum Bojsen
Phil Caldwell
Warren Finegold

Introduction
I am delighted to present the ESG Committee (the "Committee") Report for the year ended 31 December 2023. This is the first report from our new Committee.

The establishment of the ESG Committee demonstrates the importance that the Board places on ensuring the responsibilities of the Company with regard to ESG matters and reporting are not only met, but that they form a core part of everyone's day-to-day work in delivering the Company's purpose and strategic objectives.

In its first year of operation the Committee has overseen significant development of the Company's environmental, social and related governance reporting and was pleased to recommend the second annual Sustainability Report to the Board for approval. The report can be found on the Company's website at:

www.ceres.tech/sustainability

The demands placed upon companies in the ESG area in terms of disclosure and reporting are ever increasing and are not without some significant challenges. I have been encouraged by the dedication and commitment of the operational team in rising to meet these challenges and I have confidence that our sustainability reporting is evolving positively and purposefully.

Committee composition
The Committee comprises three Non-Executive Directors (including the Employee Engagement Director) and the Chief Executive Officer. Executive Committee members and relevant employees are in attendance along with the Chair of the employee forum, Connect.

Role of the Committee
The Committee considers all matters relating to the environmental and social strategies and actions of the Company and related governance activities and disclosures. Where necessary it makes recommendations to the Board or to other Committees of the Board. In particular it engages closely with the Audit and Risk Committee on issues of climate risk and integrity of reporting and the Remuneration & Nomination Committee on ESG-related bonus targets. The Committee oversees the work of the Operational ESG Committee which is chaired by the Chief Executive Officer, and provides advice, guidance and constructive challenge where appropriate. The full Terms of Reference for the Committee can be found on our website at:

www.ceres.tech/about-us/corporate-governance

Key activities 2023
- Recommended Sustainability Report (including TCFD) for Board approval
- Recommended ESG enablers for bonus targets to Remuneration & Nomination Committee
- Recommended Charitable Giving & Volunteering Policy; Modern Slavery Statement; DEBI Policy; and Code of Conduct & Business Ethics for Board approval
- Reviewed materiality matrix
- Monitored ESG objectives and roadmap
- Reviewed and monitored ESG risks
- Received reports from Employee Engagement Director
- Received updates from Connect (employee forum)
- Reviewed Committee Terms of Reference and Performance

The Committee met five times during the year ended 31 December 2023 and attendance is set out in the table on page 50 of the Corporate Governance Report.

The key activities undertaken by the Committee in 2023 are set out in the chart above.

The Committee reviewed and monitored ESG risks, objectives and priorities regularly throughout the year to ensure appropriate priorities had been identified and suitable mitigation actions were in place and progressing. It reviewed the materiality matrix to ensure the Board scoring was appropriate prior to its inclusion in, and the recommendation of, the Sustainability Report (which included the Task Force on Climate-Related Financial Disclosures); and agreed ESG targets to be recommended for inclusion in the Executive Committee bonus targets. More information on bonus targets can be found in the Directors' Remuneration Report on pages 63 to 83.

During the year the Committee received reports from the Connect Chair and the Employee Engagement Director (Trine Borum Bojsen, also a Committee member) along with reports from the Chief People Officer on engagement survey results and resulting actions and activity to support progress. The Committee ensures that the Connect Chair's views (and representative views of Ceres' employees) are included in discussions and values the important insight that this brings.

More information on our sustainability work can be found on pages 18 to 27 of this report and on our website at:

www.ceres.tech/sustainability

Committee evaluation
In the latter part of the year the Committee undertook a Committee performance evaluation, critical to assess progress in its first year of operation. Results were received at its meeting in December 2023 and the outcome showed that members thought that the Committee, whilst still evolving and strengthening, was working effectively. It was agreed that members had the requisite skills and experience and brought these to bear to advise and guide the business through the complicated reporting landscape and, importantly, to support the focus of the business on its purpose.

Julia King
Committee Chair
12 April 2024

The Directors present their Annual Report together with the audited financial statements for the year ended 31 December 2023.

Principal activities

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

Articles of Association

The Company's Articles of Association (the "Articles") may only be amended by special resolution at a general meeting of the shareholders. The Articles are available on the Company's website at:

https://www.ceres.tech/investors/shareholder-centre/documents/

Directors

The Directors of the Company who served during the year ended 31 December 2023 and up to the signing of these statements are set out on pages 45 to 47. The following Directors joined or left the Company during the year:

- Stephen Callaghan (Senior Independent Director) stepped down from the Board on 18 May 2023;
- Caroline Brown (Non-Executive Director) was appointed to the Board on 1 June 2023;
- Karen Bomba (Non-Executive Director) was appointed to the Board on 1 June 2023;
- Qinggui Hao (nominated representative Non-Executive Director for Weichai Power Hong Kong International Development Co. Limited ("Weichai")) stepped down from the Board on 27 September 2023; and
- Nannan Sun (nominated representative Non-Executive Director for Weichai) was appointed to the Board on 27 September 2023.

The powers of the Directors are set out in the Articles and the appointment and removal of Directors are governed by the Articles, the Companies Act 2006, the Corporate Governance Code 2018 and related legislation. All Directors will put themselves forward for re-election at the Annual General Meeting of the Company in 2024 with the exception of Aidan Hughes who will stand down at the close of the Annual General Meeting. More details on the process to appoint new Directors are set out in the Remuneration & Nomination Committee Report.

Directors and Officers liability insurance

The Company maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006. The Company also grants to the Directors indemnities in this regard, which constitute a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006, which were in force throughout the year ended 31 December 2023 and which remain in force at the date of this report.

Results and dividends

The consolidated results for the Group are set out on page 98 of the financial statements. The Directors do not recommend the payment of a dividend (2022: £nil).

Share capital

The Company's shares are listed on the Main Market of the London Stock Exchange. The Company's Articles contain provisions which govern the ownership and transfer of shares.

As at 31 December 2023 the Company had an allotted and fully paid share capital of ordinary shares with a nominal value of 10 pence each of 192,968,096. Each share carries one right to vote at general meetings of the Company. No shareholder holds securities having special rights with regard to control of the Company. There are no restrictions on voting rights or the transfer of securities in the Company and the Company is not aware of any agreements between holders of these securities that would result in such restrictions. Details of the Company's share capital, including changes during the year, are set out on page 125. Details of the Company's share schemes are set out on pages 126 to 129.

Authority to issue shares

The Directors were authorised at the 2023 Annual General Meeting to allot shares up to a maximum aggregate nominal amount of £6,419,126 (representing approximately one third of the nominal value of the then issued share capital of the Company); and in addition equity securities (as defined by Section 560 of the 2006 Companies Act) up to an aggregate nominal amount of £6,419,126 (representing approximately one third of the nominal value of the then issued share capital of the Company) in connection with an offer of such securities by way of a rights issue, This authority will expire at the end of the 2024 Annual General Meeting.

Authority to purchase own shares

The Company was further authorised, for the purposes of Section 701 of the 2006 Companies Act to make one or more market purchases (within the meaning of Section 693 of the 2006 Companies Act) of ordinary shares in the capital of the Company up to a maximum aggregate number of ordinary shares of 28,886,067, representing 15% of the issued ordinary share capital of the Company as at 5 April 2023. This authority will expire at the end of the 2024 Annual General Meeting.

Major shareholders

As at 31 December 2023, the Company had been notified of the following interests in voting rights pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules. BNP Paribas Asset Management UK Limited notified the Company of three changes during the year and between 31 December 2023 and the date of this report, further notified the Company of an update to their holding. The latest disclosure is therefore included below. Also included for information are the holdings of the two major shareholders with nominee Directors on the Board.

Ordinary Shares	No. of Shares	% of ISC
Weichai Power (Hong Kong) International Development Co. Ltd	37,965,262	19.67%
Robert Bosch GmbH	33,790,880	17.51%
BNP Paribas Asset Management UK Limited	9,487,381	4.91%

Listing Rule 9.8.4R disclosures

No shareholder is considered a controlling shareholder as defined in the Financial Conduct Authority Handbook. The remaining disclosures required by Listing Rule 9.8.4 are not applicable to the Company. Notwithstanding this, the Company has entered into a Relationship Agreement with Weichai Power (Hong Kong) International Development Co., Ltd, and with Robert Bosch GmbH as required by LR 9.2.2AR(2)(a).

Employee information

The business engages with its colleagues in numerous ways including regular communications via weekly news bulletins, a shared intranet, email communications, virtual and in-person sessions and monthly "All Hands" meetings. The Connect employee forum provides a platform for views to be heard and also engagement and inclusion opportunities, especially in relation to the marking and celebration of certain events during the year. Surveys are conducted throughout the year to gauge colleagues' thoughts and to obtain feedback on issues and events. More information on engagement with employees is set out in the Stakeholder Engagement section on page 28 and in the Corporate Governance Report on page 51.

The Company actively works to attract, recruit, support and retain the best talent from diverse backgrounds. As an equal opportunity employer, the Company provides up to date tools and resources to enable all individuals to apply and compete for employment opportunities for which they are qualified, based on their qualifications, skills and experience. Tools and approaches are used throughout talent acquisition and career development, to attract a diverse pool and ensure that career opportunities are attractive to all potential candidates, overcoming barriers. Reasonable adjustments are made to the recruitment process to ensure no applicant is disadvantaged because of their disability. This is supported with training to ensure hiring managers do not discriminate or apply unconscious bias when making hiring decisions. Further guidance to hiring managers is provided in the Company's Talent Acquisition and Diversity, Equity, Belonging and Inclusion ("DEBI") policies. The Company also seeks to ensure the continuation where possible and practical of colleagues in their role should they incur a disability whilst employed by the Company.

More information on the ways the Company invests and rewards its employees is set out on page 64 and in the Sustainability Report available on the Company website at:

www.ceres.tech/sustainability/

Branches outside the UK

As at 31 December 2023 the Group has branches in Weifang, China, and in Seoul, South Korea, which support the Group's business development strategy in those territories.

Anti-bribery and corruption

The Company has a zero tolerance approach to bribery and corruption and operates an Anti-Bribery & Corruption Policy. The Policy also contains requirements with regard to the provision or receipt of gifts and hospitality which is limited and which require approval over a certain value threshold. The Gifts and Hospitality Register, implemented in the latter part of 2023, will be monitored through the receipt of annual reports to the Audit Committee commencing in 2024. The day-to-day operation is monitored by the governance team. Mandatory annual training will commence in early 2024 for all colleagues.

Information security

The Company operates an Information Security Policy. There have been no information security breaches in the last three years. Arrangements with third parties are assessed with thorough due diligence performed to identify and understand potential risks which may then be mitigated. There have been no third-party information security breaches. Penetration testing is performed at least annually and any risks arising are mitigated immediately. The Company holds insurance for cyber security which covers information security risk and this was in place for the duration of 2023. All colleagues are subject to mandatory information security induction training and annual refresher training.

Political donations

The Group made no political donations in the year ended 31 December 2023 or the prior period.

Payment practice policy

It is the Group's policy for all suppliers to agree payment terms in advance of the supply of goods and services and to adhere to those payment terms. Trade creditors of the Group as at 31 December 2023, as a proportion of amounts invoiced by suppliers during the previous year, represented 35 days (31 December 2022: 47 days). There were no trade creditors for the Company as at 31 December 2023, as a proportion of amounts invoiced by suppliers during the previous year; this therefore represented nil days (31 December 2022: three days).

Going Concern and Viability Statements

Having reviewed the Group's cash and short-term investments, forecast income and expenditure, performing appropriate sensitivity and scenario analyses, and after making appropriate enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to progress their strategy. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. More detail can be found on page 42 and in the financial statements on page 102.

The Directors have further assessed the prospects of the Company over a defined period of time and set out their conclusions in the Viability Statement which can be found on pages 40 to 42.

Additional disclosures and Non-financial and Sustainability Information Statement

The following information that is relevant to this Directors' Report and/or is required by S414CA and S414CB of the Companies Act 2006 is incorporated by reference and can be located in this report and on our Company website (www.ceres.tech) as follows:

Business review and future developments	Chair's statement and Chief Executive Officer's review	Pages 6 to 11
Risk management and principal risks and uncertainties	Strategic Report	Pages 36 to 39
Corporate and social responsibility	Sustainability	Pages 18 to 27
Corporate governance and Code	Corporate Governance Report	Pages 44 to 54
Financial instruments	Financial statements	Page 98 to 135
Research and development expenditure	Note 4 Financial statements	Page 109
Directors	Directors' information	Pages 45 to 47
Directors' interests in shares	Directors' Remuneration Report	Pages 63 to 83
People policies and colleague engagement	Sustainability Report/Annual Report	Company website Page 28 and 51
Stakeholder engagement (S172 Statement)	Stakeholder engagement	Pages 28 to 29
Greenhouse gas emissions and energy consumption	Sustainability	Pages 18 to 27
Environmental matters	Task Force on Climate-related Financial Disclosures	Pages 22 to 27
	Sustainability Report	Company website
	ESG Committee Report	Pages 84 to 85
	ESG and Sustainability Policy	Company website
Employees	Health and Safety at Work Policy	Company website Page 19
	DEBI Policy	Company website Page 19 and 62
	Employee Engagement Director	Pages 51 to 52
Social matters	S172 Statement	Pages 28 to 29
	People and Community – Sustainability Report	Company website
	Charitable Giving and Volunteering Policy – Sustainability Report	Company website
	DEBI Policy	Company website
	Gender Pay Report	Company website
Human rights	Modern Slavery Statement	Company website
	Code of Conduct & Business Ethics	Company website
Anti-bribery and corruption matters	Anti-Bribery & Corruption Policy	Page 87
	Conflicts of Interest Policy	Page 54
	Modern Slavery Statement	Company website
	Speak Up Policy	Page 52
Principal risks and impact on business activity	Principal risks and uncertainties	Pages 36 to 39
	Audit Committee Report	Pages 55 to 58
Business model	Strategic Report	Page 16

In addition to the information required by the Regulations, the Company publishes a comprehensive Sustainability Report annually which details the Company's sustainability strategy, environmental and governance responsibilities and commitment to social matters. The 2022 Sustainability Report is available on the Company website at www.ceres.tech/sustainability/.

Events after the reporting date

On 18 January 2024 the Company announced to the market that it had signed a global long-term manufacturing collaboration and licence agreement for both solid oxide electrolysis cell ("SOEC") and solid oxide fuel cell ("SOFC") stack production with Delta Electronics.

On 24 January 2024 as part of the Trading Update to the market it was confirmed that the planned China JV had not been concluded in 2023 and that it is now the Company's belief that the proposed JV is unlikely to be completed in its current form.

Statement of disclosure to the auditor

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

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that they have taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution to re-appoint BDO LLP as the Company's external auditor for the year ending 31 December 2024 and for its remuneration to be agreed by the Audit Committee, will be submitted to the 2024 Annual General Meeting.

Statement of Directors' responsibilities in respect of the annual report and financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the Group and parent company financial statements in accordance with UK-adopted International Accounting Standards.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors' confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development or performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties.

The Directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Company.

Publication

The Annual Report and Accounts will be made available on the Company's website and also on the National Storage Mechanism in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

Eric Lakin
Chief Financial Officer
12 April 2024

Financial statements

Independent auditor's report

to the members of Ceres Power Holdings plc

Opinion on the financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- The Parent Company financial statements have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice); and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ceres Power Holdings Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated statement of profit and loss and other comprehensive income, Consolidated statement of financial position, Consolidated cash flow statement, Consolidated statement of changes in equity, Company balance sheet, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods.. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the periods ended 31 December 2020 to 31 December 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

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

- Assessment of assumptions within the projected cash flows: we evaluated the reasonableness of the assumptions and future plans modelled within the Board approved going concern forecasts, covering the period to 30 April 2025, including the impact of strategic initiatives. We considered whether the forecasts aligned with how the Group had traded throughout the year and post year end, which included reviewing the movement in revenue against our understanding of the contracts and the movements in expenditure compared to historic costs.
- Sensitivity analysis: evaluation of sensitivities of the Group's cash flow forecasts. The analysis considered reasonably possible adverse effects that could arise as well as a stress test to consider the level of future revenue reduction and cost increases that the Group could support.
- Post year end trading performance: comparison of the post year end trading results to the forecasts to evaluate the accuracy and achievability of the forecasts planned.
- Disclosures: evaluation of the adequacy of the disclosures in relation to the risks posed and scenarios the Directors have considered in performing their going concern assessment.

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

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview

Coverage	100% (2022: 99%) of Group profit before tax 100% (2022:100%) of Group revenue 100% (2022: 99%) of Group total assets		
Key audit matters		2023	2022
	Revenue recognition – forecast labour hours	✓	✓
	Revenue recognition – application of IFRS 15	✓	✗
	Capitalisation of development costs	✓	✓
	Revenue recognition – revenue spreadsheet errors	✗	✓
	Inventory valuation	✗	✓
	Revenue recognition – application of IFRS 15, revenue from contracts with customers, has been noted as a key audit matter in the current year. The matter has been considered to be key this year due to the restatement that was identified in relation to the prior year revenue recognition. Revenue recognition – revenue spreadsheet errors is no longer considered to be a key audit matter because the likelihood of errors arising in relation to the revenue spreadsheet is no longer considered to be a significant risk and the procedures to address the risk are straight forward. Inventory valuation is no longer considered to be a key audit matter because the magnitude of the balance and any potential errors is significantly reduced with the inventory balance reducing from £5.7m to £2.8m.		
Materiality	**Group financial statements as a whole** £328,000 (2022: £332,000) based on 1.5% (2022: 1.5%) of revenue.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates in the United Kingdom and China. The Group is made up of four trading companies supported by three holding companies, one of which being the Parent Company. In establishing the overall approach to the Group audit, we determined the nature and amount of work that needed to be performed on each component. We have identified two significant components.

Based on our assessment we performed a full scope audit of the complete financial information of all UK entities within the Group. The financial information of the Chinese entity has been subject to analytical procedures. All audit procedures were performed by the Group engagement team.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector;
- Involvement of climate-related experts in evaluating management's risk assessment; and
- Review of the minutes of Board and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as 'Other Information' on page 22 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Overview continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter – 1		How the scope of our audit addressed the key audit matter
Revenue Recognition – forecast labour hours (Accounting policies, Note 2 - Revenue £22.3m)	Engineering services revenue is recognised over time using the labour hours incurred as a percentage of the forecast hours to determine the stage of completion. Given the determination of forecast labour hours is highly judgemental, there is a risk that the forecast labour hours are incorrect and as such the amount of revenue recorded is not reflective of the stage of completion. We therefore determined this to be a key audit matter.	We have: • Attended year-end project meetings with senior commercial and finance staff from the Group to evidence the internal processes and challenges of the forecast labour hours as part of our risk assessment. • Compared the prior year estimate of the total forecast hours to the current year actuals to understand the accuracy of previous forecasts and considered the validity of any changes in the year by reference to supporting evidence. • Challenged project managers on the forecast hours to complete, considering any internal reporting documentation and milestones agreed with the customer to check that the revenue calculation was reflective of the actual position. • Considered the ability of the project managers to prepare the forecast labour hours calculation. • Investigated the monthly run rate of labour hours for the project incurred as well as those forecast and challenged management on anomalies identified. • Confirmed for a sample of labour hours incurred in the period that the hours had been approved, and obtained evidence to support the accuracy of these hours recorded against the project. • Investigated the post year end performance to understand the accuracy of the year end forecast labour hours. • Compared gross margin during the year against our expectation and investigated any variances. • Obtained and read board meeting minutes during the year for evidence of any issues relating to progress or delays. **Key observations:** As a result of the testing above we did not find any matters to suggest that the forecast labour hours were inappropriate.

Key audit matter – 2		How the scope of our audit addressed the key audit matter
Revenue Recognition – application of IFRS 15 (Accounting policies, Note 2 – Revenue £22.3m)	The Group accounts for revenue in line with the requirements of IFRS 15, revenue from contracts with customers. Given that the Group's revenue contracts and the application of IFRS 15 is complex and requires management to make a number of judgements. A number of corrections and restatements were identified in respect of the accounting of revenue contracts in the current period. We therefore determined this to be a key audit matter.	We have: • Considered the IFRS 15 five step model and compared this to the conclusions reached by management and our prior period audit work. • Challenged management where judgements and assumptions had been made, comparing this against our understanding of the business and agreeing the judgements to supporting documentation. • Verified and considered the allocation of the transaction price to performance obligations on new contracts and audited any estimates made by management in determining the allocation. • Ensured the treatment of the contract is in line with the revenue recognition accounting policy. • Reconciled the year end revenue recognised in the TB and contract asset/liability to the workings prepared. • Verified the impact of corrections or restatements identified during the course of the audit, and considered the impact on our audit work. **Key observations:** A number of corrections and restatements were identified in respect of the accounting of revenue contracts under IFRS 15 in the current period. We verified the impact of these corrections and restatements, and confirmed they had been appropriately addressed.

Overview continued

Key audit matters continued

Key audit matter – 3		How the scope of our audit addressed the key audit matter
Capitalisation of development costs (Accounting policies, Note 12 – Intangibles, Customer and internal development programmes £17.8m)	The Group capitalises development costs that meet the capitalisation criteria of the applicable accounting standards. Given the significance of capitalised development costs to the group's activities and the significant judgement required in the application of the capitalisation criteria, there is a risk that costs have been inappropriately capitalised. We therefore determined this to be a key audit matter.	We have: • Agreed a sample of external costs capitalised in the year to supporting documentation and considered whether these had been allocated against the appropriate project. • Confirmed for a sample of labour hours capitalised in the period that the hours had been approved, and obtained evidence to verify the projects worked on to support the attribution of these hours to the relevant project. • Performed an assessment of the capitalised costs to understand the rationale behind capitalisation and the likelihood of future benefits to be drawn from the costs incurred to determine whether the capitalisation criteria of the applicable accounting standard were satisfied. **Key observations:** As a result of the testing above we did not find any matters to indicate that judgements made in the capitalisation of development costs was inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

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

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

	Group financial statements		Parent company financial statements	
	2023 £	2022 £	2023 £	2022 £
Materiality	328,000	332,000	213,000	315,400
Basis for determining materiality	1.5% of revenue		Determined by reference to Group materiality and the aggregation risk when combined with materiality for the other components.	
Rationale for the benchmark applied	We continue to consider revenue to be the most appropriate benchmark as the Group remains in the research and development stage of their growth and as such are not generating profits consistent with the operations and size of the business.		Based on our assessment of the components' aggregation risk.	
Performance materiality	213,000	216,000	138,000	205,200
Basis for determining performance materiality	In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements, the number of areas of estimation within the financial statements and the type of audit testing to be completed. Performance materiality was set at 65% of materiality (2022: 65%)		In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements, the number of areas of estimation within the financial statements and the type of audit testing to be completed. Performance materiality set at 65% of materiality (2022: 65%).	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 56% and 94% (2022: 31% and 95%) of Group materiality dependent on the size and our assessment of aggregation risk. Component materiality ranged from £184,000 to £308,000 (2022: £102,000 to £315,400). In the audit of each component, we further applied performance materiality levels of 65% (2022: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £7,000 (2022: £7,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 42; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 42.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 89; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 36; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 36; and • The section describing the work of the Audit Committee set out on page 55.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, in house legal counsel, Audit Committee and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the UK adopted international accounting standards, UK GAAP, UK tax legislation, Listing Rules and the Companies Act 2006.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and GDPR legislation.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance and the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, incorrect application of IFRS 15 (revenue from contracts with customers) on contracts and incorrect forecast labour hours used in the calculation of revenue recognition.

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

Fraud continued

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias including the forecast labour hours as detailed in the key audit matters, the dilapidations provisions and the measurement of warranty provision and contingent liabilities;
- Assessing the application of IFRS 15 on new contracts including the estimates and judgements, comparing the application to the accounting policy and supporting documentation; and
- Testing the risk of incorrect labour hours as detailed in the key audit matters.

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Fearon (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

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

Consolidated statement of profit and loss and other comprehensive income

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000 Restated[1]
Revenue[1]	2	22,324	19,788
Cost of sales		(8,770)	(9,079)
Gross profit		13,554	10,709
Other operating income	4	3,665	1,332
Operating costs[1]	4	(76,620)	(66,054)
Operating loss		(59,401)	(54,013)
Finance income	5	7,079	2,830
Finance expense	5	(1,287)	(304)
Loss before taxation	4	(53,609)	(51,487)
Taxation (charge)/credit	8	(399)	3,872
Loss for the financial year and total comprehensive loss		(54,008)	(47,615)
Loss per £0.10 ordinary share expressed in pence per share:			
– basic and diluted	9	(28.03)p	(24.88)p

1. The restatement to 2022 is described in Note 1

The notes on pages 102 to 129 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2023

	Note	As at 31 Dec 2023 £'000	As at 31 Dec 2022 £'000 Restated[1]	As at 31 Dec 2021 £'000 Restated[1]
Assets				
Non-current assets				
Property, plant and equipment[1]	10	25,882	26,387	18,613
Right-of-use assets	11	2,141	2,647	2,438
Intangible assets	12	19,054	13,278	8,478
Long-term investments		—	—	5,000
Investment in associates	13	2,350	2,460	500
Other receivables	15	741	741	741
Total non-current assets		50,168	45,513	35,770
Current assets				
Inventories	14	2,825	5,714	3,145
Contract assets[1]	2	1,575	400	5,343
Other current assets	16	1,193	957	1,133
Derivative financial instruments	20	8	54	1,073
Current tax receivable		771	7,396	1,615
Trade and other receivables	15	9,876	17,153	5,813
Short-term investments[1]	17	90,249	110,536	93,129
Cash and cash equivalents[1]	17	49,707	71,784	151,455
Total current assets		156,204	213,994	262,706
Liabilities				
Current liabilities				
Trade and other payables	18	(4,983)	(4,933)	(2,783)
Contract liabilities[1]	2	(7,469)	(7,363)	(3,917)
Other current liabilities[1]	19	(6,301)	(6,275)	(5,047)
Derivative financial instruments	20	(99)	—	—
Lease liabilities	21	(694)	(610)	(754)
Provisions	22	(647)	(929)	(1,579)
Total current liabilities		(20,193)	(20,110)	(14,080)
Net current assets		136,011	193,884	248,626
Non-current liabilities				
Lease liabilities	21	(1,902)	(2,514)	(2,285)
Other non-current liabilities[1]	19	(1,360)	(1,011)	(771)
Provisions[1]	22	(2,282)	(2,105)	(1,828)
Total non-current liabilities		(5,544)	(5,630)	(4,884)
Net assets		180,635	233,767	279,512
Equity attributable to the owners of the parent				
Share capital	23	19,297	19,209	19,073
Share premium		406,184	405,463	404,726
Capital redemption reserve	24	3,449	3,449	3,449
Merger reserve	24	7,463	7,463	7,463
Accumulated losses[1]		(255,758)	(201,817)	(155,199)
Total equity		180,635	233,767	279,512

1. The restatements to the financial positions as at 31 December 2021 and 31 December 2022 have been described in Note 1.

The notes on pages 102 to 129 are an integral part of these consolidated financial statements.

The financial statements on pages 98 to 101 were approved by the Board of Directors on 12 April 2024 and were signed on its behalf by:

Phil Caldwell
Chief Executive Officer

Eric Lakin
Chief Financial Officer

Ceres Power Holdings plc
Registered Number: 5174075

Consolidated cash flow statement

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000 Restated[1]
Cash flows from operating activities			
Loss before taxation[1]		(53,609)	(51,487)
Adjustments for:			
Finance income	5	(7,079)	(2,830)
Finance expense	5	1,287	304
Depreciation of property, plant and equipment[1]	4	7,461	5,592
Depreciation of right-of-use assets	4	641	620
Amortisation of intangibles	4	1,024	1,032
Net foreign exchange gains	4	(232)	(690)
Net change in fair value of financial instruments at fair value through profit or loss	4	143	1,020
Share-based payments	25	67	997
Operating cash flows before movements in working capital and provisions		(50,297)	(45,442)
Decrease/(increase) in trade and other receivables and other current assets[1,2]		6,356	(11,165)
Decrease/(increase) in inventories		2,889	(2,569)
Increase in trade and other payables and other liabilities[2]		1,847	3,345
(Increase)/decrease in contract assets[1]		(1,175)	4,943
Increase/(decrease) in contract liabilities[1]		106	2,487
Decrease in provisions[1]		(536)	(522)
Net cash used in operations		(40,810)	(48,923)
Taxation received/(paid)[2]		6,911	(1,909)
Net cash used in operating activities		(33,899)	(50,832)
Investing activities			
Investment in associate		—	(1,000)
Proceeds from sale of property, plant and equipment		225	—
Purchase of property, plant and equipment[1]		(7,922)	(12,347)
Capitalised development expenditure		(6,800)	(5,832)
Repayment of long-term investments		—	5,000
Decrease/(increase) in short-term investments[1]		21,168	(16,193)
Finance income received		5,616	1,443
Net cash generated from/(used in) investing activities		12,287	(28,929)
Financing activities			
Proceeds from issuance of ordinary shares	23	809	873
Expenses from issuance of ordinary shares		—	—
Cash paid on behalf of employees on the sale of share options		—	—
Repayment of lease liabilities	21	(658)	(744)
Finance interest paid	5	(393)	(212)
Net cash used in financing activities		(242)	(83)
Net decrease in cash and cash equivalents		(21,854)	(79,844)
Exchange (loss)/gain on cash and cash equivalents[2]		(223)	173
Cash and cash equivalents at beginning of year[1]		71,784	151,455
Cash and cash equivalents at end of year[1]	17	49,707	71,784

1. Restatements to 2022 have been described in Note 1.
2. 2022 taxation paid has been restated to increase the taxation paid from £380,000 by £1,529,000 to correct the amount disclosed as tax paid, the corresponding adjustment is to reduce the increase in trade and other receivables and other current assets. The exchange gains on cash and cash equivalents in 2022 has been corrected by reducing the previously reported amounts by £690,000 with the corresponding adjustment being made to increase the movement in trade and other payables, and hence net cash used in operating activities has increased by the same amount.

The notes on pages 102 to 129 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2022 – Previously stated		19,073	404,726	3,449	7,463	(154,056)	280,655
Restatement[1]		—	—	—	—	(1,143)	(1,143)
At 1 January 2022 – Restated		19,073	404,726	3,449	7,463	(155,199)	279,512
Comprehensive income							
Loss and total comprehensive loss for the financial year – Restated[1]		—	—	—	—	(47,615)	(47,615)
Total comprehensive loss - Restated[1]		—	—	—	—	(47,615)	(47,615)
Transactions with owners							
Issue of shares, net of costs	23	136	737	—	—	—	873
Share-based payments	25	—	—	—	—	997	997
Total transactions with owners		136	737	—	—	997	1,870
At 31 December 2022 – Restated[1]		19,209	405,463	3,449	7,463	(201,817)	233,767
Comprehensive income							
Loss and total comprehensive loss for the financial year		—	—	—	—	(54,008)	(54,008)
Total comprehensive loss		—	—	—	—	(54,008)	(54,008)
Transactions with owners							
Issue of shares, net of costs	23	88	721	—	—	—	809
Share-based payments	25	—	—	—	—	67	67
Total transactions with owners		88	721	—	—	67	876
At 31 December 2023		19,297	406,184	3,449	7,463	(255,758)	180,635

1. 2021 and 2022 financial position have been restated as described in Note 1.

The notes on pages 102 to 129 are an integral part of these consolidated financial statements.

1. Accounting policies used in the preparation of the financial statements

The Company is incorporated and domiciled in the United Kingdom and is registered on the premium segment of the Main Market of the London Stock Exchange (LON: CWR).

The accounting policies applied in the preparation of these consolidated financial statements are set out below and at the start of the respective notes to these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared on a going concern basis, in accordance with UK-adopted international accounting standards ("IFRS").

The Company has elected to prepare its entity financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and these are presented on pages 130 to 135.

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

Foreign currencies

The consolidated financial statements are presented in pounds sterling, which is the Company's functional currency and the Group's presentational currency. Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the foreign exchange rate prevailing at the period end. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Profit and Loss.

Basis of consolidation

The consolidated financial statements of Ceres Power Holdings plc include the results of the Company, subsidiaries which are controlled by the Group and the Group's interest in associates. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration substantive potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated.

Associates

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

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

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

Going concern

The Group has reported a loss after tax for the year ended 31 December 2023 of £54.0m (2022: £47.6m) and net cash used in operating activities of £33.9m (2022: £50.8m). At 31 December 2023, the Group held cash and cash equivalents and investments of £140.0m (31 December 2022: £182.3m).

The Directors have prepared annual budgets and cash flow projections that extend 12 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, including significant debtor receipts at the beginning of the year and a reduction in inventory held. Future projections include management's expectations of the further investment in R&D projects, new product development and capital investment as the Group sustains its competitive advantage in licensing fuel cell and electrolysis technologies. 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 in line with the Group's viability scenarios presented on pages 41 to 42 including a slower intake of future licensee partners leading to a loss of significant future revenue and a resulting cost mitigation. The China joint venture with Weichai and Bosch has now been removed from future projections. In each case the projections demonstrated that the Group is expected to have sufficient cash reserves to meet its liabilities as they fall due and to continue as a going concern. For the above reasons, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

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

Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Significant judgements

The judgements made by management in applying accounting policies that are considered to have the most significant impact on the Group's assets and liabilities are the following:

- Revenue from customer contracts,
- Capitalisation and amortisation of development costs,
- Recognition of inventory, and
- Determination of the term of the lease as a lessee in the event of agreements with termination options.

Revenue from customer contracts

The Group has recognised revenue from customer contracts of £22.3m in the year ended 31 December 2023 (2022: £19.8m) and net contract liabilities of £5.9m as at 31 December 2023 (2022: £7.0m). Note 2 sets out the Group's accounting policies in respect of revenue from customer contracts and explains the movement to a net contract liabilities position when compared with the prior year.

Customer contracts typically include engineering services, access to or sale of technology hardware and licences. Judgement is required when identifying the performance obligations in a contract as well as when determining the basis on which to allocate revenue between each performance obligation.

In determining the revenue recognition for licence components of customer contracts, judgements must be made as to the nature of the licences (right to access or right to use) and the number and timing of performance obligations associated with those licences. These judgements are made based on the interpretation of key clauses and conditions within each customer contract. For example, where a contract confers the customer with the right to benefit from existing background IP as at a specific date, that is generally treated as a right to use licence. In contrast, where a contract confers the customer with the right to benefit from future IP developments as they occur, that is more likely to be treated as a right to access licence. Judgement is also required when determining the point at which the benefit of the IP is fully transferred to the customer, which can depend on a number of factors including the customer's prior experience with fuel cell technology.

Capitalisation and amortisation of development costs

When determining the criteria for starting, and subsequently ceasing, the capitalisation of development costs as an internally generated asset, IAS 38 requires that strict criteria are met, in particular, that it is probable that future economic benefits will result from the development asset.

Following the signing of commercial contracts with the Group's strategic partners in 2018, management determined that the probability threshold had been met for the Group's fuel cell ("SOFC") technology, and the Group implemented processes to continuously review and assess all customer and internal development programme expenditure to ascertain whether it is appropriate to capitalise development costs under IAS 38.

Determining when capitalisation should commence is a critical judgement, as is the basis for the appropriate stage at which to cease capitalising ongoing costs and to commence amortising the capitalised asset.

Within the Group there is an established Technology and Product Development Process with gated milestones that assesses the technology and product viability and maturity. Generally, until a programme has passed the required milestone gate, all expenditure is deemed "research" and expensed as incurred. Expenses incurred after the milestone gate is passed are capitalised within the parameters set out in the accounting policy. Once a programme has passed another milestone gate, confirming development activities are completed, the capitalisation of costs ceases. Any further expenditure is expensed, and amortisation of the intangible asset commences.

Application of the above policy requires management's judgement around key areas such as future commercial feasibility of the development and that future economic benefit will be derived from the development. The Executive Committee regularly reviews the critical judgements around capitalisation and useful economic life of development projects.

During the year ended 31 December 2023, the application of these judgements resulted in development costs of £6.8m (2022: £5.6m) being capitalised (see Note 12). The net book value of capitalised development costs as at 31 December 2023 increased to £18.8m (31 December 2022: £12.9m), and amortisation of £0.9m (2022: £0.9m) was charged during the year.

Despite encouraging signs of progress with our SOEC technology during the year, including progress made with the first of a kind demonstrator and signing the Group's first SOEC contract with Delta Electronics in January 2024, we continue to expense costs incurred in researching and developing our electrolysis technology. When we apply the strict criteria of capitalisation from IAS 38 'Intangible Assets' we determined that, as at 31 December 2023, the probability threshold to begin capitalisation has not yet been met.

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

Recognition of inventory

In line with the UK Conceptual Framework for a definition of an asset and IAS 2: "An entity should initially recognise inventory when it has control of the inventory, expects it to provide future economic benefits, and the cost of the inventory can be measured reliably." The Group has recognised inventory for its next generation of solid oxide technology.

The key judgement to apply is the expectation of future economic benefits to be derived from the inventory recognised. During the year the Group signed a loan evaluation agreement for the next generation of the Group's solid oxide cell technology and together with the evaluation of the future pipeline, the Group's assessment is that the threshold for recognising inventories for the next generation has been met. In the fourth quarter of 2023 raw materials and work in progress from the previous generation of technology was evaluated to understand if it was capable of being utilised as part of the new technology; otherwise, it was written off to the Consolidated Statement of Profit and Loss. The amount written off during the year was £1.1m.

As at 31 December 2023 the Group held finished stacks relating to the previous generation of the solid oxide technology with confirmed customer demand for these stacks. The Group held no finished stacks made up from our new generation of technology; as such no finished stacks were subject to our internal testing and quarantine processes and as a result no provision was recognised at the balance sheet date (31 December 2022: £0.7m).

Determination of the term of the lease as a lessee in the event of agreements with termination options

Ceres determines the term of the lease as the non-cancellable period for which the lessee has the right to use the asset as well as periods covered by termination options if Ceres is reasonably certain that it will not exercise that option. Both leases for premises contain a break clause. Ceres applies judgement in evaluating whether it is reasonably certain that an option to renew will be exercised or that an option to terminate the lease will not be exercised. In this context, Ceres considers all relevant facts and circumstances that create an economic incentive for Ceres to exercise, or not to exercise, the termination option.

During the year, the Group signed a new lease agreement for premises based in Nuneaton. The break clause for the premises was subsequently exercised and an adjustment of £0.1m was recognised to the right-of-use asset, with a corresponding adjustment to the lease liability, as set out in Notes 11 and 21.

Significant estimates and assumptions

Significant estimates and associated assumptions are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The most significant estimates, assumptions and sources of uncertainty applicable in preparing the consolidated financial statements are set out below:

- Determination of period-related revenue recognition over the course of customer contracts,
- Recognition and measurement of warranty provisions, and
- Recognition and measurement of dilapidation provisions.

Determination of period-related revenue recognition over the course of customer contracts

Customer contracts typically include engineering services, access to or sale of technology hardware and licences. Revenue is allocated to these key components based on initial cost estimates to deliver the obligations under the contract and established margins for the different components. Management has established a range of margins to apply to contract components where the costs can be reliably estimated. Given the sometimes complex and long-term nature of customer contracts, these forecast cost estimations and margins are considered a significant area of estimation when valuing and allocating revenue to key components.

Revenue for engineering services is recognised based on the percentage of completion method and is measured based on the contract labour hours at each reporting period compared to the estimated total contract labour hours required to deliver the service over the contract life. The assessment of the total project labour hours required to deliver the contracted service is updated during the term of the contract by project managers and is subject to internal reviews, including comparison to previous forecasts and past experience. Changes in these estimates may impact revenue recognised at the reporting date.

The actual recognition of wholly or partially unsatisfied performance obligations may ultimately differ from the estimate made at the reporting date and it is reasonably possible that outcomes on these contracts within the next reporting period could differ, adversely or favourably, in aggregate to those estimated. The estimated labour hours to complete each contract reflect management's best estimate at that point in time. If the hours incurred for all of the Group's engineering services contracts were 10% higher or lower for the following 12 months (1 January 2024 to 31 December 2024), revenue recognised in that period could be up to £0.5m higher or lower (2022: £0.9m higher or lower) as a result.

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

Recognition and measurement of warranty provisions and contingent liabilities

As at 31 December 2023, the Group recognised warranty provisions of £0.6m (31 December 2022: £0.9m). When recognising and measuring provisions, assumptions are required about probability of occurrence, maturity and level of risk. Determining whether a current obligation exists is usually based on review by internal experts. The amount of provision is based on expected expenses, and is either calculated by assessing the specific case in light of empirical values, outcomes from comparable circumstances, evidence provided from historical commercial settlements, or else estimated by experts.

Following the completion of certain contracts utilising our fuel cell stacks, and based on more data around stack failure and degradation rates, the Group continues to hold a contingent liability of £0.1m (31 December 2022: £0.3m). The contingent liability is recognised as there is a less than probable likelihood of the stacks failing or of the Group paying out on any potential subsequent stack failures for certain stacks that may still be run by customers.

Management believes that, based on existing knowledge, it is reasonably possible that warranty costs could be up to 50% higher than expected. This could result in the Group incurring additional costs of up to c.£0.3m over the next 12 months (2022: £0.6m) as a result. Note 22 sets out further details around the Group's warranty provisions.

Recognition and measurement of dilapidation provisions

As at 31 December 2023, the Group has recognised dilapidation provisions of £2.3m (31 December 2022: £2.1m). The amount of provision is based on the expected cost at the termination of the lease agreements, to bring the leasehold properties back to their original condition. The provision has been based on an independent surveyor's report; however, management has applied judgement and interpretation to determine the best estimate of the expenditure required to settle the Group's probable liability based on this valuation, as well as to determine appropriate discount and inflation rates to apply. If total dilapidation costs ended up being 10% higher than expected, additional costs incurred would be in the order of £0.2m (2022: £0.2m). Note 22 sets out further details around the Group's dilapidation provisions.

Prior period adjustments

The directors have identified a number of prior period adjustments in the period:

Revenue

Revenue in 2021 and 2022 has been restated to correct the historical timing and foreign exchange impact of revenue recognition for legacy licences, and to appropriately offset contract balances relating to the same identified contracts. At 31 December 2021, the result of these adjustments on the consolidated statement of financial position was to reduce contract assets by £2.0m and reduce contract liabilities by £0.4m with a corresponding reduction in net assets of £1.6m. At 31 December 2022, the result of these adjustments on the consolidated statement of financial position was to reduce contract assets by £2.9m, increase contract liabilities by £1.0m and reduce net assets and increase in accumulated losses by £3.9m. In respect of the consolidated statement of profit and loss and other comprehensive income with a corresponding reduction in net assets and increase in accumulated losses of £3.9m, the adjustments reduced revenue by £2.3m, reduced operating costs by £0.1m and increased the loss before tax by £2.3m. There was no overall impact on cash flows from operating activities or recognised tax as a result of these adjustments.

Property, plant and equipment and non-current provisions

The movements in dilapidation provisions relating to items capitalised within property, plant and equipment, were not previously capitalised but were incorrectly expensed to the income statement. Furthermore, the 2022 dilapidation provision did not correctly reflect property, plant and equipment additions in the prior period. At 31 December 2021, the result of the adjustments on the consolidated statement of financial position was to increase property, plant and equipment by £0.5m with a corresponding increase in net assets and reduction in accumulated losses. At 31 December 2022, the result of these adjustments on the consolidated statement of financial position was to increase property plant and equipment by £0.5m, increase non-current provisions by £0.2m with a corresponding increase in net assets and reduction in accumulated losses of £0.3m. In respect of the consolidated statement of profit and loss and other comprehensive income, the adjustments increased operating costs and losses by £0.2m. 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.

Cash and cash equivalents and short-term investments

2022 short term investments incorrectly included cash balances with a value of £8.5m. At 31 December 2022 the result of the adjustments on the consolidated statement of financial position was to increase cash and cash equivalents by this amount with a corresponding reduction to short-term investments. There was no impact on net assets or recognised tax as a result of this adjustment. In respect of the consolidated statement of cash flows, the adjustment reduced the net cash used in investing activities and the net decrease in cash and cash equivalents by the same amount.

Other current and non-current liabilities

Other current liabilities in 2021 and 2022 incorrectly included deferred income to be realised in more than one year. At 31 December 2022, the result of the adjustments on the consolidated statement of financial position was to increase other non-current liabilities by £1.0m with a corresponding reduction in other current liabilities. At 31 December 2021, the result of the adjustments on the consolidated statement of financial position was to increase other non-current liabilities by £0.8m with a corresponding reduction in other current liabilities. There was no impact on net assets, recognised tax or the consolidated statement of cash flows as a result of these adjustments.

Further prior period adjustments were required to the disclosure of cash flows in the consolidated cash flow statement, the classification of assets under construction in note 10 and the disclosure of financial assets in note 20. These adjustments have been detailed in the respective statement or note.

New standards and amendments applicable as of 1 January 2023

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

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

New standards and amendments issued but not yet effective

The following adopted IFRSs have been issued, have an effective date for annual periods beginning on or after 1 January 2024 and have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the consolidated financial statements unless otherwise indicated.

The following amendments are effective for the periods beginning 1 January 2024 and 1 January 2025, but have not yet been adopted by the UK Endorsement Board:

- IFRS 16 Leases (Amendment – Liability in a sale and leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of liabilities as current or non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with covenants)
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendment – Supplier finance arrangements)
- IAS 21 The Effect of Changes in Foreign Exchange (Amendment – Lack of exchangeability)

2. Revenue

Revenue and direct costs

Revenue comprises the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, other sales taxes and after eliminating sales within the Group.

Revenue primarily consists of amounts received or receivable under evaluation, development, supply and licence contracts. The nature of goods and services provided under these contracts consists of engineering services, access to or sale of technology hardware and licences to access and use intellectual property ("IP").

Engineering services are provided under evaluation and development agreements. The nature of the work typically comprises engineering staff time for design, development, modelling and test analysis. The performance obligation in relation to this work is deemed to be satisfied over time based on a percentage of completion basis.

Technology hardware is provided to customers under evaluation, development and supply agreements. Where access to the hardware is provided under an evaluation agreement, the performance obligation is deemed to be satisfied on a straight-line basis over the period that the customer's preferred technology performance attributes are verified under the evaluation agreement. Where access to the hardware is provided under development and supply agreements, the performance obligation is satisfied at the point in time that the hardware is delivered and accepted.

Access to IP is provided to customers under licence agreements. The nature of the licences (right to access or right to use) is determined based on the interpretation of key clauses and conditions within each customer contract. The performance obligation is the disclosure of IP under the licence and is based on the number and timing of disclosures associated with those licences. For a right to use licence the performance obligation is satisfied at a point in time when the IP is disclosed. For a right to access licence the performance obligation is satisfied over the time that access is granted to IP developed.

Revenue is allocated to engineering services and access to or sale of technology hardware based on initial cost estimates to deliver the obligations under the contract and established margins for the different components (cost-plus margin). Management has established a range of margins to apply to contract components where the costs can be reliably estimated.

Given the sometimes complex and long-term nature of customer contracts, these forecast cost estimations and margins are considered a significant area of judgement when valuing and allocating revenue to key components.

Revenue is allocated to licences on a stand-alone selling price basis where observable. Where the licence forms part of a wider contract for the provision of engineering services and technology hardware, the Group uses a cost-plus margin approach for revenue allocated to engineering services and technology hardware components and a residual approach for allocating revenue to licences.

Percentage of completion is measured based on the cumulative actual contract labour hours at each reporting period compared to the estimated total contract labour hours to deliver the service over the contract life. The assessment of the total project labour hours to deliver the contracted service are updated during the term of the contract by project managers and are subject to internal reviews, including comparison to previous forecasts and past experience.

Material differences in the amount of revenue in any given period may result if the judgements or estimates prove to be incorrect or if management's estimates change on the basis of development of the business or market conditions. This is considered further in the significant judgements and estimates section of Note 1.

The revenue recognition is subject to certainty of receipt of cash, or when any specific conditions in agreements have been met. Where there is a timing difference between the recognition of revenue and invoicing under a contract, a contract asset or liability is recognised.

If a loss is expected in respect of a contract, the entire loss is recognised immediately in the Consolidated Statement of Profit and Loss.

Variable consideration, such as for the achievement of performance targets or variation requests under negotiation with the customer at the reporting date, can be included in the transaction price together with the estimated costs to perform the associated obligations. These estimates of the expected value or most likely amount are recognised to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised in a future reporting period.

Contract modifications are treated as a separate contract if the scope of the contract increases because of the addition of distinct goods or services, and the price of the contract increases by an amount of consideration that reflects the stand-alone selling price of the additional promised goods or services.

2. Revenue continued

Where a contract modification does not meet these criteria, it is accounted for as an adjustment to the existing contract, either prospectively, where the remaining goods or services are distinct from the goods and services transferred before the modification, or through a cumulative catch-up adjustment, where the remaining services are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

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

Geographical market

	2023 £'000	2022 £'000 Restated[1]
Europe[2]	12,394	7,980
Asia[2]	9,589	11,391
North America	341	394
Rest of World	—	23
	22,324	19,788

For the year ended 31 December 2023, the Group has identified two major customers (defined as customers that individually contributed more than 10% of the Group's total revenue) that accounted for approximately 51% (SOFC and SOEC) and 39% (all SOFC) of the Group's total revenue recognised in the year (year ended 31 December 2022: two customers that accounted for approximately 48% and 38% of the Group's total revenue for that year).

Major product/service lines

	2023 £'000	2022 £'000 Restated[1]
Engineering services	10,220	9,039
Provision of technology hardware	5,726	5,380
Licences[2]	6,378	5,369
	22,324	19,788

Timing of transfer of goods and services

	2023 £'000	2022 £'000 Restated[1]
Products and services transferred at a point in time	6,544	4,760
Products and services transferred over time	15,780	15,028
	22,324	19,788

Contract-related assets and liabilities

	Note	31 Dec 2023 £'000	31 Dec 2022 £'000 Restated[1]	31 Dec 2021 £'000 Restated[1]
Trade receivables	15	3,422	11,825	2,612
Contract assets – accrued income		1,575	400	5,343
Total contract-related assets		4,997	12,225	7,955
Contract liabilities – deferred income		(7,469)	(7,363)	(3,917)

1. The adjustments in respect of 2022 and 2021 are described in Note 1.
2. The adjustments as described in Note 1 have impacted 2022 licences revenue in both Europe and Asia.

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

The contract assets – accrued income – relates to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, which is generally when work is invoiced. The increase in the balance compared with 31 December 2022 is a result of significant revenue recognised in the period from two customers and timing differences with invoicing.

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

2. Revenue continued

Revenue recognised in the current year that was included in the contract liabilities – deferred income – balance at the beginning of the year was £2,380,000 (31 December 2022: £771,000).

There were no significant amounts of revenue recognised in the year ended 31 December 2023 arising from performance obligations satisfied in previous periods (31 December 2022: no significant amounts).

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

	Contract assets 2023 £'000	Contract liabilities 2023 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		2,380
Increases due to cash received, excluding amounts recognised as revenue during the year		(2,486)
Transfers from contract assets recognised at the beginning of the year to receivables	(400)	
Increases as a result of changes in the measure of progress	1,575	

	Contract assets 2022 £'000 Restated[1]	Contract liabilities 2022 £'000 Restated[1]
Revenue recognised that was included in the contract liability balance at the beginning of the year		771
Increases due to cash received, excluding amounts recognised as revenue during the year		(4,217)
Transfers from contract assets recognised at the beginning of the year to receivables	(5,012)	
Increases as a result of changes in the measure of progress	69	

1. The adjustment in respect of 2022 is described in Note 1.

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

The revenue expected to be recognised in future years for evaluation and development, supply and licence agreements in respect of performance obligations that are unsatisfied (or partially unsatisfied) at the year-end is:

	2024 £'000	2025 £'000	2026 £'000
Evaluation, development, supply and licence agreements[1]	13,016	3,240	3,240

The comparatives as at 31 December 2022 are as follows:

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

1. Excluding future royalties receivable from partners.

The above analysis excludes revenue which is contracted but contingent upon milestones or decision criteria which are at the customers' discretion.

The Company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

3. Segmental analysis

In accordance with IFRS 8, the Group has identified two reporting segments, being Power – SOFC and Hydrogen – SOEC, based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which the Group considers to be the Executive team. The Group reports revenue and gross profit by segment to the Executive team. All of the Group's non-current assets are in the UK.

	31 December 2023			31 December 2022 Restated[1]		
	Power – SOFC £'000	Hydrogen – SOEC £'000	Total £'000	Power – SOFC £'000	Hydrogen – SOEC £'000	Total £'000
Revenue (external)	21,567	757	22,324	19,608	180	19,788
Cost of sales	(8,346)	(424)	(8,770)	(9,070)	(9)	(9,079)
Gross profit	13,221	333	13,554	10,538	171	10,709

1. The adjustment in respect of 2022 is described in Note 1.

4. Loss before taxation

Research and development

The Group undertakes research and development activities either on its own behalf or in conjunction with customers.

Group and customer-funded expenditure on research, and on development activities not meeting the conditions for capitalisation (see Note 12), are written off as incurred and charged to the Consolidated Statement of Profit and Loss.

Government grants

Grants are recognised on a case-by-case basis. Revenue grants are recognised in the Consolidated Statement of Profit and Loss as other operating income as the related costs are incurred and expensed. The reimbursement of the cost of an item of plant and equipment or intangible by way of a capital grant is presented as deferred income and recognised in the Consolidated Statement of Profit and Loss as other operating income on a basis consistent with the depreciation or amortisation of the asset over its estimated useful life.

For grants with no technical milestones, and where recovery is reasonable, the grant is recognised on an accruals basis in order to match the associated expenditure with the grant income. For grants with technical milestones, these grants are held on the Consolidated Statement of Financial Position as deferred income and are recognised only when the relevant milestone has been achieved.

	2023 £'000	2022 £'000 Restated[1]
Operating costs are split as follows:		
Research and development costs	54,034	48,546
Administrative expenses[2]	17,681	15,116
Commercial expenses	4,905	2,392
	76,620	66,054
Loss before taxation is stated after (crediting)/charging:		
Other operating income – grant income	(270)	(251)
Other operating income – RDEC tax credit	(3,395)	(1,081)
Other operating income – total	(3,665)	(1,332)
Staff costs, including share-based payments (Note 6)	41,906	34,801
Cost of inventories recognised as expense (Note 14)	4,568	5,023
Depreciation of property, plant and equipment (Note 10)[2]	7,461	5,592
Depreciation of right-of-use assets (Note 11)	641	620
Amortisation of intangible assets (Note 12)	1,024	1,032
Repairs expenditure on property, plant and equipment	1,030	1,039
Net change in fair value of financial instruments at fair value through profit or loss	143	1,020
Net foreign exchange gain recognised in operating costs	(232)	(761)
Net foreign exchange loss/(gain) recognised in finance expense/(income)	805	(173)

1. The adjustment in respect of 2022 is described in Note 1.
2. The restatement to depreciation in 2022 is as a result of changes in dilapidation as described in Note 10.

Services provided by the Group's auditor

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

	2023 £'000	2022 £'000
Fees payable to the Company's auditor for the audit of parent Company and consolidated financial statements	68	54
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries	177	141
– audit-related assurance services – review of interim financial results, including audit assurance	30	150
– audit-related assurance services – grants and awards	—	7
– reporting services in relation to the Group's move to the Main Market	85	217
	360	569

5. Finance income and expense

Interest income and expense

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

	2023 £'000	2022 £'000
Interest received	7,079	2,657
Foreign exchange gain on cash, cash equivalents and short-term deposits	—	173
Total interest income	7,079	2,830
Interest paid	(99)	—
Interest on lease liabilities	(248)	(212)
Unwinding of discount on provisions	(89)	(87)
Other finance costs	(46)	(5)
Foreign exchange loss on cash, cash equivalents and short-term deposits	(805)	—
Total interest expense	(1,287)	(304)

6. Employees and Directors

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

	2023 £'000	2022 £'000
By activity:		
Research and development	369	249
Prototype production	128	177
Administration	77	96
Commercial	16	14
	590	536

	2023 £'000	2022 £'000
Staff costs (for the above persons) comprised:		
Wages and salaries, including compensation for loss of office	35,500	28,584
Social security costs	3,928	3,290
Other pension costs (Note 7)	2,411	1,930
Share-based payments (Note 25)	67	997
	41,906	34,801

	2023 £'000	2022 £'000
Directors' emoluments:		
Aggregate emoluments	1,027	947
Company contributions to defined contribution pension schemes	51	51
Gain on exercise of share options and other share schemes[1]	707	38
	1,785	1,036

	2023 £'000	2022 £'000
Highest-paid Director:		
Aggregate emoluments	565	534
Company contributions to defined contribution pension schemes	28	28
Gain on exercise of share options and other share schemes	707	38
	1,300	600

1. The Directors had LTIPs with an aggregate value of £1,197,835 exercisable as at 31 December 2023 (31 December 2022: £2,999,435).

6. Employees and Directors continued

Two Directors (2022: two Directors) have retirement benefits accruing under defined contribution pension schemes.

Additional information on the emoluments of the Directors, together with information regarding the share interests and share options of the Directors, is included in the Remuneration Report on pages 63 to 83, which forms part of these audited financial statements.

Key management compensation

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

	2023 £'000	2022 £'000
Salaries and other short-term employment benefits	3,880	3,386
Post-employment benefits	206	148
Share-based payments	(111)	342
	3,975	3,876

7. Pensions

Pension scheme arrangements

The Group operates a defined contribution pension plan for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The plan is a post-employment benefit plan under which the Group pays fixed contributions during the employee's service and will have no legal or constructive obligation to pay amounts after the employee's service ends. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Profit and Loss in the period during which services are rendered by employees.

The pension charge represents contributions payable by the Group to the funds and amounted to £2,411,000 (31 December 2022: £1,930,000). £316,000 was payable to the funds as at 31 December 2023 (31 December 2022: £nil).

8. Taxation and deferred taxation

Taxation

The taxation charge for the year comprises current and deferred tax and any adjustment to tax payable or receivable in respect of previous years. Tax is recognised in the Consolidated Statement of Profit and Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The RDEC receivable represents the Directors' best estimate of tax due to the Group at the year-end under the RDEC credit regime.

Deferred taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

	2023 £'000	2022 £'000
UK corporation tax	—	(4,470)
Foreign tax suffered	334	828
Adjustment in respect of prior periods	65	(230)
Taxation credit	399	(3,872)

The current tax rate is 23.52% (2022: 19.00%). From 1 April 2023 the main corporation tax rate increased from 19% to 25% on profits over £250,000.

A tax charge has arisen as a result of expenditure surrendered and claimed under the SME R&D regime in the prior year and foreign tax and withholding tax arising on licence income received from customers based in China and South Korea.

8. Taxation and deferred taxation continued

The tax result for the year is different from the standard rate of UK corporation tax of 23.52% (2022: 19.00%). The differences are explained below:

	2023 £'000	2022 £'000 Restated[1]
Loss before taxation[1]	(53,609)	(51,487)
Loss before taxation multiplied by the UK tax rate of 23.52% (2022: 19.00%)	(12,609)	(9,783)
Effects of:		
Losses carried forward	12,307	9,417
Enhanced tax deductions for R&D expenditure	—	(3,310)
Expenses not deductible	240	160
Fixed asset differences	62	(215)
Employee share scheme	1,452	—
Effect of overseas tax rates	252	742
Adjustment in respect of prior periods – R&D tax credit	65	(230)
Difference between R&D tax credit and small company tax rate	—	1,387
Tax on RDEC credit	434	159
Deferred tax rate change	(649)	—
Other short term timing difference	773	(1,141)
Share option timing differences	(1,928)	(1,058)
Total taxation credit	399	(3,872)

1. The adjustment in respect of 2022 is described in Note 1.

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

	2023 £'000	2022 £'000 Restated[1]
Temporary differences:		
Difference between capital allowances and depreciation	(2,967)	60
Deductions relating to share options	(7,158)	(15,356)
Other timing differences	(563)	(319)
Losses carried forward	(224,544)	(173,434)
	(235,232)	(189,049)

1. The adjustment in respect of 2022 is described in Note 1.

The deferred tax assets have not been recognised as the Directors consider that it is unlikely that the asset will be realised in the foreseeable future. The element of the RDEC credit that can only be set off against future UK corporation tax liability is £2,482,000 (2022: £1,225,000) and has not been recognised as the Directors consider that it is unlikely that this asset will be realised in the foreseeable future.

9. Loss per share

Basic and diluted loss per £0.10 ordinary share of 28.03p for the year ended 31 December 2023 (restated 31 December 2022: 24.88p) is calculated by dividing the loss for the financial year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Given the losses reported during the year, there is no dilution of losses per share for the year ended 31 December 2023 (31 December 2022: no dilution).

	2023 £'000	2022 £'000 Restated[1]
Loss for the financial year attributable to shareholders	(54,008)	(47,615)
Weighted average number of shares in issue	192,651,782	191,385,618
Loss per £0.10 ordinary share (basic and diluted)	(28.03)p	(24.88)p

1. The adjustment in respect of 2022 is described in Note 1.

10. Property, plant and equipment

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes all expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated Statement of Profit and Loss during the financial period in which they are incurred. The Directors annually consider the need to impair these assets.

Depreciation is charged to the Consolidated Statement of Profit and Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	Ten years or the lease term if shorter
Plant and machinery	Three to ten years
Computer equipment	Three years
Fixtures and fittings	Three to ten years

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of property, plant and equipment are reviewed on an ongoing basis for any indication of impairment. Where any indication of impairment exists, the recoverable value of the assets is estimated. An impairment loss is recognised in the Consolidated Statement of Profit and Loss whenever the carrying value of property, plant and equipment exceeds its recoverable amount.

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

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January 2022 - Previously stated	7,412	25,514	2,563	348	1,975	37,812
Brought forward restatement[1]	151	518	—	—	—	669
At 1 January 2022 - Restated	7,563	26,020	2,563	348	1,975	38,481
Additions[1]	1,121	5,194	203	—	6,848	13,366
Transfers[2]	71	1,672	—	—	(1,743)	—
Disposals	(1,621)	(6,669)	(831)	(72)	—	(9,193)
At 31 December 2022	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)	—
Disposals	(150)	(568)	(57)	—	(68)	(843)
At 31 December 2023	**8,813**	**31,317**	**2,042**	**391**	**6,429**	**48,992**
Accumulated depreciation						
At 1 January 2022 - Previously stated	3,358	14,291	1,790	232	—	19,671
Brought forward restatement[1]	37	160	—	—	—	197
At 1 January 2022 - Restated	3,395	14,451	1,790	232	—	19,868
Charge for the year[1]	956	4,119	444	73	—	5,592
Depreciation on disposals	(1,621)	(6,669)	(831)	(72)	—	(9,193)
At 31 December 2022	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	**3,844**	**17,273**	**1,725**	**268**	**—**	**23,110**
Net book value						
At 31 December 2023	**4,969**	**14,044**	**317**	**123**	**6,429**	**25,882**
At 31 December 2022 - Restated	4,404	14,328	532	43	7,080	26,387
At 31 December 2021 - Restated	4,168	11,581	773	116	1,975	18,613

1. The adjustment in respect of 2022 and 2021 is described in Note 1.
2. The transfer from assets under construction to plant and machinery in the 2022 property, plant and equipment note was understated by £779,000. The note has been re-presented to reflect this correction.

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

11. Right-of-use assets

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

Lease liabilities are initially measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate. Subsequently, lease liabilities are measured by adjusting to reflect interest on the lease liability, reducing the liability to reflect lease payments made and to reflect any re-assessment or lease modifications, or revised in-substance fixed lease payments (refer to Note 21).

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

Right-of-use assets are depreciated over the shorter of the lease term and the relevant useful economic life following the periods set out in the property, plant and equipment depreciation policy. Where the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated over its useful economic life.

Right-of-use assets are tested for impairment by applying IAS 36 Impairment of Assets. The carrying values of right-of-use assets are reviewed on an ongoing basis for any indication of impairment. Where any indication of impairment exists, the recoverable value of the assets is estimated. An impairment loss is recognised in the Consolidated Statement of Profit and Loss whenever the carrying value of a right-of-use asset exceeds its recoverable amount.

	Land and buildings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2022	3,694	43	3,737
Adjustment of lease term	829	—	829
At 31 December 2022	4,523	43	4,566
Additions	168	—	168
Adjustment of lease term	(33)	—	(33)
At 31 December 2023	4,658	43	4,701
Accumulated depreciation			
At 1 January 2022	1,289	10	1,299
Charge for the year	606	14	620
At 31 December 2022	1,895	24	1,919
Charge for the year	627	14	641
At 31 December 2023	2,522	38	2,560
Net book value			
At 31 December 2023	2,136	5	2,141
At 31 December 2022	2,628	19	2,647
At 31 December 2021	2,405	33	2,438

During the year, the Group signed a new property lease and the break clause for that lease was subsequently triggered. An adjustment was recognised to decrease the right-of-use asset, with a corresponding adjustment to the lease liability.

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

12. Intangible assets

Research and development

Expenditure incurred on research and development is distinguished as relating to a research phase or development phase with reference to the Group's technology and product development process.

All research phase expenditure is recognised in the Consolidated Statement of Profit and Loss as an expense when incurred (see Note 4).

Development phase expenditure is capitalised from the point that all of the following conditions are met:

- the product or process under development is technically and commercially feasible;
- the Group intends to and has the technical ability and sufficient resources to complete the development;
- future economic benefits are probable; and
- the Group can measure reliably the expenditure attributable to the asset during its development.

Development phase activities involve a plan or design for the production of new or substantially improved products or processes in relation to the Group's core fuel cell and system technology and intellectual property. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalisation of development phase activities continues until the point at which the product or process under development meets its originally mandated technical specification. For product and process development, this is at the point where the production design version is approved or the development is completed.

Subsequent expenditure is capitalised where it enhances the functionality of the asset and demonstrably generates an enhanced economic benefit to the Group. All other subsequent expenditure on the product or process is expensed as incurred.

Where development activities are funded through government grants and the cost of those activities is capitalised under this policy, the grants received are considered capital grants and are presented as deferred income and recognised in the Consolidated Statement of Profit and Loss as other operating income on a basis consistent with the depreciation or amortisation of the asset over its estimated useful life.

Patent costs incurred in the procurement of patents in relevant territories are capitalised where the Group considers those patents relate to technology that is deemed to be commercially feasible. Other patent costs and costs to maintain patents once granted in those territories are expensed to in the Consolidated Statement of Profit and Loss as incurred.

Subsequent to recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives and is presented within operating costs. The estimated useful lives are reviewed and adjusted as appropriate, at each balance sheet date. Intangible assets which are not yet available for use are tested for impairment at each balance sheet date.

The following useful lives are used in the calculation of amortisation:

Capitalised development	Two to seven years
Patent costs	Three to ten years
Perpetual software licences	Three years

12. Intangible assets continued

Research and development continued

The carrying values of intangible assets are reviewed on an ongoing basis for any indication of impairment. Where any indication of impairment exists, the recoverable value of the assets is estimated. An impairment loss is recognised in the Consolidated Statement of Profit and Loss whenever the carrying value of an intangible asset exceeds its recoverable amount.

	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Perpetual software licences £'000	Patent costs £'000	Total £'000
Cost					
At 1 January 2022	411	8,407	252	633	9,703
Additions	—	5,340	273	219	5,832
At 31 December 2022	411	13,747	525	852	15,535
Additions	—	6,443	—	357	6,800
At 31 December 2023	**411**	**20,190**	**525**	**1,209**	**22,335**
Accumulated amortisation					
At 1 January 2022	164	1,038	23	—	1,225
Charge for the year	82	748	125	77	1,032
At 31 December 2022	246	1,786	148	77	2,257
Charge for the year	82	728	137	77	1,024
At 31 December 2023	**328**	**2,514**	**285**	**154**	**3,281**
Net book value					
At 31 December 2023	**83**	**17,676**	**240**	**1,055**	**19,054**
At 31 December 2022	165	11,961	377	775	13,278
At 31 December 2021	247	7,369	229	633	8,478

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

13. Subsidiary undertakings and associates

Details of the Group's subsidiaries and associates at 31 December 2023 are as follows:

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

1. Ceres Power Ltd, Ceres Intellectual Property Company Ltd, Ceres Holdings International Ltd and Ceres Power Licence Company Ltd are 100% held directly by Ceres Power Intermediate Holdings Ltd. Registered address is Viking House, Foundry Lane, Horsham, West Sussex, RH13 5PX.
2. 100% held directly by Ceres Power Ltd. Registered address is Office 1903i, Floor 19/F, Tower B, No.1065 West Zhongshan Road, Changning District, Shanghai, China.
3. 24.2% held directly by Ceres Power Intermediate Holdings Ltd. Registered address is Windsor House, Cornwall Road, Harrogate, HG1 2PW.

13. Subsidiary undertakings and associates continued

The principal activity of Ceres Power Ltd is the commercialisation and continued development of the Group's fuel cell and electrochemical technology. The principal activity of Ceres Intellectual Property Company Ltd is the administration of registered intellectual property developed within the Group. The principal activity of Ceres Power Intermediate Holdings Ltd is as a holding company to the other Group companies and to manage the Group's cash, cash equivalents and investments. The principal activity of Ceres Power Licence Company Ltd is the provision of overseas licence and royalty services.

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

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

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

The contribution of £2m was treated as an additional cost of investment in the associate, increasing the cost of the investment to £2.5m at 31 December 2022. The value of the option at year end was determined to be £nil (31 December 2022: £nil). In February 2024 the Group has terminated its option to acquire the remainder of RFC Power's shares. The Group continues to hold the 24.2% investment as an associate. The Group has recognised its share of RFC Power's loss for the year ended 31 December 2023 of £110,000 (31 December 2022: £40,000).

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

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

14. Inventories

Inventories consist of raw materials, work in progress and finished goods.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material cost and, where applicable, direct labour costs and direct overheads that have been incurred. Cost is calculated using the first-in, first-out ("FIFO") method. Net realisable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

	31 Dec 2023 £'000	31 Dec 2022 £'000
Current:		
Raw materials	1,648	1,566
Work in progress	787	1,477
Finished goods	390	2,671
	2,825	5,714

During the year ended 31 December 2023, inventories of £4.6m (31 December 2022: £5.0m) were recognised as an expense and were included within cost of sales. As at 31 December 2023, no provision was recognised (2022: £0.7m).

15. Trade and other receivables

Trade receivables are recognised initially at transaction price and subsequently held at amortised cost using the effective interest method, less loss allowances. Loss allowances are calculated using the simplified approach to determine expected credit losses, taking into account both historical payment profiles and any credit losses experienced, together with forward-looking macroeconomic factors. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable. Payment terms generally range between 30 and 60 days depending on the customer.

Although the Group's past experience of significant credit losses on these assets has been negligible, the impairment assessment performed by the Group considers both past experience and future expectations of credit losses. As a result of this assessment, the Group considers the risk of expected credit losses on trade receivables and contract assets to be immaterial. Further details on this assessment are provided in Note 20.

	31 Dec 2023 £'000	31 Dec 2022 £'000
Current:		
Trade receivables	3,422	11,825
VAT receivable	2,273	1,853
RDEC receivable	4,008	3,032
Other receivables	172	443
	9,876	17,153
Non-current:		
Other receivables	741	741

Non-current other receivables comprise rent deposit guarantees held by landlords in respect of the Group's leased properties. There is no material difference between the fair value of trade and other receivables and their carrying values and they are not materially overdue at the year-end. There are no expected credit losses recognised during the year ended 31 December 2023 (31 December 2022: £nil). The carrying amounts of the Group's trade and other receivables are primarily denominated in pounds sterling, euros and US dollars (as set out in Note 20).

16. Other current assets

	31 Dec 2023 £'000	31 Dec 2022 £'000
Current:		
Prepayments	1,193	869
Accrued other income	—	88
	1,193	957

No accrued other income was recognised in the year to 31 December 2023, previously this related to consideration for work completed on grant-funded contracts but not billed at the reporting date. The accrued other income is transferred to other receivables when the rights become unconditional.

17. Cash, cash equivalents and investments

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, pooled money market funds and short-term deposits with an original maturity of less than or equal to one month.

Short-term investments

Short-term investments include bank deposits with an original maturity greater than one month and a maturity as at the date of the Consolidated Statement of Financial Position of less than or equal to 12 months.

	31 Dec 2023 £'000	31 Dec 2022 £'000 Restated[1]
Cash at bank and in hand	7,063	16,312
Money market funds	42,644	55,472
Cash and cash equivalents	49,707	71,784
Short-term bank deposits greater than one month and less than 12 months	90,249	110,536
	139,956	182,320

17. Cash, cash equivalents and investments continued

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

	Interest rate type	31 Dec 2023 £'000	31 Dec 2022 £'000 Restated[1]
Interest rate risk profile of the Group's financial assets:			
Cash at bank and in hand	Floating	7,063	16,312
Money market funds	Floating	42,644	55,472
Short-term bank deposits greater than one month and less than or equal to 12 months	Floating	20,000	20,000
Short-term bank deposits greater than one month and less than or equal to 12 months	Fixed	70,249	90,536
		139,956	182,320

1. The adjustment in respect of 2022 is described in Note 1.

During the year ended 31 December 2023 the fixed rate short-term bank deposits were primarily designated in pounds sterling, had remaining terms of between 3 days and 5 months (31 December 2022: 18 days and 10 months) and earned interest of between 2.30% and 5.94% (31 December 2022: 1.23% and 5.15%). Also included in short-term bank deposits was a deposit of CNH71m (c.£8m) on a rolling monthly term earning interest of approximately 2.3% (31 December 2022: CNH68m (c.£8m) at 1.4%). The credit quality of financial assets has been assessed by reference to external credit ratings.

18. Trade and other payables

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

	31 Dec 2023 £'000	31 Dec 2022 £'000
Current:		
Trade payables	3,624	4,795
Other payables	1,359	138
	4,983	4,933

19. Other liabilities

	31 Dec 2023 £'000	31 Dec 2022 £'000 Restated[1]	31 Dec 2021 £'000 Restated[1]
Current:			
Accruals	5,933	6,032	4,803
Deferred income[1]	368	243	244
	6,301	6,275	5,047
Non-current:			
Deferred income[1]	1,360	1,011	771

1. The adjustment in respect of 2022 and 2021 is described in Note 1.

Accruals include estimates of amounts owed to suppliers that have not been invoiced at the year-end, and to the Group's employees for various employee-related payments. Deferred income consists of grant income and RDEC tax credits deferred in relation to associated development costs which have been capitalised as an intangible asset. Grant income is recognised in the Consolidated Statement of Profit and Loss in the same period as the expenditure to which the grant relates.

20. Financial instruments

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses forward contracts, and in limited circumstances options, to hedge against foreign currency-denominated income and expenditure commitments. The use of financial derivatives is governed by the Group's treasury policy, as approved by the Board. The Group does not use derivative financial instruments for speculative purposes. Details of financial instruments are shown later in this note.

Derivative financial instruments are recognised at fair value. The gains or losses on re-measurement to fair value are recognised immediately in the Consolidated Statement of Profit and Loss as they arise and are shown in Note 4.

The Group only uses derivative financial instruments to hedge foreign currency exposures which arise from an underlying current or anticipated business requirement. The Group does not currently apply hedge accounting to any derivatives in place, and derivatives are treated at fair value through P&L. The Group does not currently use derivative instruments to manage its interest rate risk. The Group does not trade in financial instruments.

Fair values of financial assets and financial liabilities

There is no material difference between the fair value and the carrying value of the Group's financial assets and financial liabilities. Carrying value approximates to fair value because of the short maturity periods of these financial instruments.

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of currency options is estimated using the Black–Scholes pricing model based on the strike price with reference to the future exchange rate, spot rate and risk-free interest rate. Forward exchange contracts and options are included in the Level 2 classification.

Other than the forward contracts and options noted below, none of the Group's assets and liabilities were measured at fair value at 31 December 2023 (31 December 2022: none).

The fair values of all financial assets and financial liabilities by class, together with their carrying amounts shown in the balance sheet, are as follows:

	Fair value hierarchy	Carrying amount 31 Dec 2023 £'000	Fair value 31 Dec 2023 £'000	Carrying amount 31 Dec 2022 £'000 Restated[1]	Fair value 31 Dec 2022 £'000 Restated[1]
Financial assets at amortised cost					
Trade and other receivables[1]		3,594	3,594	12,268	12,268
Cash, cash equivalents and investments		139,956	139,956	182,320	182,320
		143,550	143,550	194,588	194,588
Financial assets measured at fair value through profit or loss					
Forward exchange contracts	Level 2	1	1	26	26
Currency swap contract	Level 2	7	7	—	—
Non-deliverable forward	Level 2	—	—	28	28
		8	8	54	54
Financial liabilities measured at amortised cost					
Trade and other payables and accruals		(10,563)	(10,563)	(10,957)	(10,957)
Financial liabilities measured at fair value through profit or loss					
Forward exchange contracts	Level 2	(99)	(99)	—	—

1. The trade and other receivables for 2022 have been restated to remove non-financial instruments. Previously trade and other receivables were £14,121,000.

Capital management

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

Financial risk management

The Group's operations expose it to a variety of financial risks that include credit risk and market risk arising from changes to interest rates and foreign currency exchange rates. The Board reviews and agrees policies for managing each of these risks.

The principal risks addressed are as follows:

20. Financial instruments continued

Credit risk

The Group's exposure to credit risk arises from holdings of cash, cash equivalents and investments, and if a counterparty or customer fails to meet its contractual obligations.

The Group's primary objective to manage credit risk from its holdings of cash, cash equivalents and investments is to minimise the risk of a loss of capital and eliminate loss of liquidity having a detrimental effect on the business. The Group places surplus funds of no more than £30m per institution into pooled money market funds with same-day access and of no more than £12m per institution for bank deposits with durations of up to 24 months. During the year the Group's treasury policy restricted investments in short-term money market funds to those which carry short-term credit ratings of at least two of AAAm (Standard & Poor's), Aaa-mf (Moody's) and AAAmmf (Fitch) and deposits with banks with minimum long-term rating of A-/A3/A and short-term rating of A-2/P-2/F-1 for banks in which the UK Government holds less than 10% ordinary equity.

Trade receivables at the year-end relate to three customers (31 December 2022: three) of which £194,000 relates to the Europe geographic region and £3,228,000 to Asia (31 December 2022: £579,000 relates to the Europe geographic region and £11,246,000 to Asia).

Contract assets at the year-end related to one customer from the Europe geographic region of £1,575,000 (31 December 2022: related to three customers of which £358,000 relates to the Europe geographic region and £42,000 to Asia).

The Group's customers are generally large multinational companies or research institutions and are consequentially not considered to add significantly to the Group's credit risk exposure. All trade receivables are due within the agreed credit terms for the current and preceding year and are consequently stated at cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other contract assets (primarily unbilled work in progress).

To measure expected credit losses, trade receivables and other contract assets are analysed based on their credit risk characteristics including days past due and the specific payment profile of the customer to determine a suitable historical loss rate. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that the Group considers could affect the ability of its customers to settle the receivables.

The Group has followed this approach as at 31 December 2023 and as a result has not recognised a loss allowance for trade receivables or other contract assets (31 December 2022: no loss allowance). Management does not consider that a reasonably possible change in the estimation of expected credit losses would have a material impact on the results of the following year.

Interest rate risk

Interest rate risk on the Group's liabilities is minimal.

The Group's finance income is sensitive to changes in interest rates. A change of 0.5% in interest rates on all variable rate instruments held by the Group at 31 December 2023 would have impacted the finance income by £348,000 (31 December 2022: £416,000).

The decrease in sensitivity to interest rate changes is driven by the reduction in variable-rate cash, cash equivalents and investments held at the balance sheet date when compared with 31 December 2022. Interest rate risk is mitigated by investing in deposit accounts of different durations ranging from 32 days to up to 24 months and by utilising deposit accounts with fixed interest rates.

20. Financial instruments continued

Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its financial obligations. The Group manages its liquidity needs by preparing cash flow forecasts, including forecasting of the Group's liquidity requirements, to ensure the Group has sufficient cash to meet its operational needs.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	31 Dec 2023						31 Dec 2022					
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	>5 years £'000	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	>5 years £'000
Non-derivative financial liabilities												
Trade and other payables and accruals	(10,563)	(10,563)	(10,563)	—	—	—	(10,957)	(10,957)	(10,957)	—	—	—
Lease liabilities	(2,596)	(3,038)	(887)	(883)	(1,268)	—	(3,124)	(3,793)	(840)	(853)	(1,851)	(249)
Derivative financial liabilities												
Forward exchange contracts:												
(Outflow)	(2,337)	(2,239)	(2,239)	—	—	—	—	(93)	(93)	—	—	—
Inflow	—	—	—	—	—	—	1,907	2,000	2,000	—	—	—
Currency swap contracts:												
(Outflow)	—	—	—	—	—	—	—	—	—	—	—	—
Inflow	1,767	1,760	1,760	—	—	—	—	—	—	—	—	—

Foreign currency exposures

The Group's primary transaction currency is pound sterling. Exposures to foreign currency-denominated contracted receivables and commitments arise from the Group's overseas sales and purchases, which are primarily denominated in euros, US dollars, Canadian dollars and Japanese yen. During the year ended 31 December 2020, the Group entered into a fixed term deposit denominated in Chinese renminbi, to fund the expected initial investment of CNH68m (c.£8m) in the proposed collaboration with Weichai Power Co. Ltd. This deposit has been rolled forward following the ongoing discussions around the final form of the collaboration which are expected to complete during 2024.

The Group seeks to mitigate its foreign currency exposure by entering into forward currency exchange contracts, and in limited circumstances, currency options in accordance with the Group's treasury policy. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward currency exchange contracts and options are primarily entered into for significant foreign currency exposures that are not expected to be offset by other currency transactions. The Group's objectives and policies are largely unchanged in the reporting periods under review.

During the year ended 31 December 2020, the Group entered into a non-deliverable forward ("NDF") to hedge an exposure to KRW related to a long-term customer contract. As at 31 December 2023, £nil cashflows remained under the hedge (31 December 2022: £5.0m), as they were net settled in pound sterling during 2023. Forward exchange contracts include forward currency contracts to sell £2.7m in total and buy US and Canadian dollars over the next 12 months.

20. Financial instruments continued

Foreign currency exposures continued

The table below shows the extent to which the Group has monetary assets and liabilities in currencies other than pounds sterling. Foreign exchange differences arising on the retranslation of these monetary assets and liabilities are taken to the Consolidated Statement of Profit and Loss.

31 December 2023	Euro £'000	US dollar £'000	Canadian dollar £'000	Japanese yen £'000	Chinese renminbi £'000	Other £'000
Exposures to foreign currency risk:						
Cash and cash equivalents	1,383	1,332	164	127	136	22
Fixed term bank deposits	—	—	—	—	7,750	—
Trade and other receivables	—	1	—	—	2	—
Other current assets	—	—	—	—	24	—
Trade payables and payments on account	(276)	(450)	(2)	—	—	(7)
Other current liabilities	—	—	—	—	(56)	—
Forward currency contracts – (outflow)/inflow	(2,000)	2,500	300	—	—	—
Balance sheet exposure	(893)	3,383	462	127	7,856	15

31 December 2022	Euro £'000	US dollar £'000	Canadian dollar £'000	Japanese yen £'000	Chinese renminbi £'000	Other £'000
Exposures to foreign currency risk:						
Cash and cash equivalents	2,126	2,531	85	456	89	30
Fixed term bank deposits	—	—	—	—	8,475	—
Trade and other receivables	27	2	—	—	—	—
Trade payables and payments on account	(516)	(178)	(4)	—	—	(6)
Forward currency contracts – (outflow)/inflow	(2,000)	—	61	33	—	—
Balance sheet exposure	(363)	2,355	142	489	8,564	24

A 10% weakening of the following currencies against pound sterling at 31 December 2023 (or 31 December 2022) would have resulted in a profit or loss charge to the Consolidated Statement of Profit and Loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	Profit or (loss)	
	2023 £'000	2022 £'000
Euro	89	36
US dollar	(338)	(235)
Canadian dollar	(46)	(14)
Japanese yen	(13)	(49)
Chinese Renminbi	(785)	(856)
Other	(1)	(2)

A 10% strengthening of the above currencies against pound sterling at 31 December 2023 (or 31 December 2022) would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

21. Lease liabilities

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

	£'000
Balance as at 1 January 2022	3,039
Lease payments	(956)
Interest expense	212
Adjustment of lease term (see Note 11)	829
Balance as at 31 December 2022	3,124
New finance leases recognised	66
Lease payments	(906)
Interest expense	248
Adjustment of lease term (see Note 11)	64
Balance as at 31 December 2023	**2,596**
Current	694
Non-current	1,902
Balance as at 31 December 2023	**2,596**
Current	610
Non-current	2,514
Balance as at 31 December 2022	**3,124**

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

22. Provisions and contingent liabilities

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation where relevant.

Contingent liabilities

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

Property dilapidations

Provisions have been made for future dilapidation costs on the leased properties. This provision is the Directors' best estimate as the actual costs and timing of future cash flows are dependent on future events and are updated periodically. The estimate is supported by advice received from professional advisers. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Warranties

As at the year-end, only a small proportion of technology hardware supplied or sold to customers was provided with contractual warranties. The warranty provision is recognised in accordance with IAS 37 as the majority of technology hardware supplied or sold to customers has been provided without contractual warranties and there is no option to acquire a warranty separately. Where a constructive obligation is considered to have been created through an expectation or past practice, a provision for the associated costs of future claims has been included at the year-end. The Group recognises a provision for both contractual and constructive obligation warranties when the underlying products and services are sold. The provision is based on the past performance of the technology hardware, management's knowledge, customer expectations and a weighting of possible outcomes against their associated probabilities. Where warranty obligations are not considered to be probable, they are not provided for but instead are disclosed as contingent liabilities unless remote.

Contract losses

The Group holds provisions for expected contractual costs that it expects to incur over the life of the contract. Management exercises judgement to determine the value of the costs to be incurred and the amount of the provision to be made. Each provision is considered separately and the amount provided reflects the best estimate of the most likely amount to be incurred. Provision is made when the contractual or constructive obligation occurs. The provision is used to offset the costs incurred in delivering the onerous contracts.

22. Provisions and contingent liabilities continued

The movement in provisions charged to the Consolidated Statement of Profit and Loss for the year ended 31 December 2023 is set out below along with the value of provisions at 31 December 2022:

	Property dilapidations[1] £'000	Warranties £'000	Contract losses £'000	Total £'000
At 1 January 2022	1,828	1,253	326	3,407
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	—	—	(137)	(137)
Unwinding of discount	87	—	—	87
Unused provision reversed	—	(707)	(135)	(842)
Increase in provision[1]	190	329	—	519
At 31 December 2022 - Restated[1]	2,105	875	54	3,034
Movements in the Consolidated Statement of Profit and Loss:				
Unwinding of discount	89	—	—	89
Unused provision reversed	—	(553)	(10)	(563)
Increase in provision	88	281	—	369
At 31 December 2023	**2,282**	**603**	**44**	**2,929**
Current	—	603	44	647
Non-current	2,282	—	—	2,282
At 31 December 2023	**2,282**	**603**	**44**	**2,929**
Current	—	875	54	929
Non-current - Restated[1]	2,105	—	—	2,105
At 31 December 2022 - Restated[1]	2,105	875	54	3,034

1. The adjustment in respect of 2022 is described in Note 1.

The dilapidation provision at 31 December 2023 represents the present value of costs to be incurred in making good the Group's leasehold properties at the break points of the leases in approximately two to three years' time. The main uncertainty relates to estimating the cost that will be incurred at the end of the respective leases. A revaluation of the property dilapidation was performed by a specialist for the year ended 31 December 2023.

The warranty provision at the year-end is primarily the result of a constructive obligation and reflects the Directors' best estimate of the cost required to fulfil these obligations with respect to a number of the Group's customer contracts. Subsequent to their initial recognition, warranty provisions are utilised or released over the periods of the various warranty obligations, which are expected to be less than two years. There are several areas of uncertainty supporting the provision, including determining the amount of technology hardware that may require repairing or replacing and respective timing as manufacturing costs are expected to reduce over time. In addition, as most of the Group's warranty provisions relate to constructive rather than contractual obligation and there is limited history of warranty claims with the Group's current customers, any final warranty obligation will be subject to negotiation with the respective customer. The calculation of the warranty provision is subject to certain estimates, as set out in Note 1.

During the year, following the conclusion of certain contracts utilising our fuel cell stacks, and based on a further year's data around stack failure and degradation rates, £0.6m of the existing provision was released to the Consolidated Statement of Profit and Loss.

As at 31 December 2023, the contract loss provision relates to one contract for the provision of technology hardware. The provision relates to an onerous contractual obligation to reimburse our customer to remove installed fuel cell systems from end-user properties and to return them to us.

23. Share capital

	31 Dec 2023 £'000		31 Dec 2022 £'000	
	Number of £0.10 ordinary shares	£'000	Number of £0.10 ordinary shares	£'000
Allotted and fully paid				
At 1 January	192,086,775	19,209	190,729,638	19,073
Allotted £0.10 ordinary shares on exercise of employee share options	881,321	88	1,357,137	136
At 31 December	**192,968,096**	**19,297**	192,086,775	19,209

During the year ended 31 December 2023, 881,321 ordinary £0.10 shares were allotted for cash consideration of £799,684 on the exercise of employee share options (year ended 31 December 2022: 1,357,137 ordinary £0.10 shares were allotted for cash consideration of £866,717) (see Note 25).

24. Reserves

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

25. Share options

Share-based payments

The Group has a number of employee and executive share option and award schemes under which it makes equity-settled share-based payments.

The fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. The fair value of the share-based payment, determined at the grant date, is measured to reflect vesting and non-vesting conditions and for market-related vesting conditions there is no true-up for differences between expected and actual outcomes. Expected volatility was determined by calculating the historical volatility of the Company's shares compared with AIM over a period consistent with the expected term of the options.

Where the parent Company grants options over its own shares to the employees of the Group, these are accounted for as equity-settled in the consolidated accounts of the Group.

The total charge recognised in the year ended 31 December 2023 relating to employee share-based payments was £67,000 (2022: £997,000).

The Company has a number of share option schemes and savings-related share option plans for its employees and a separate historical scheme for Executive Directors.

	2023 £'000	2022 £'000
a) 2004 Employees' share option scheme	—	—
b) Sharesave schemes	148	241
c) Long Term Incentive Plan ("LTIP")	(81)	756
	67	997

a) 2004 Employees' share option scheme

In previous years, the Company issued share options under this scheme for Directors and employees, under which approved and unapproved share options were granted. The Company adopted the "Ceres Power Holdings Ltd 2004 Employees' share option scheme" at the time of listing in November 2004.

Under this scheme, Directors and employees hold options to subscribe for £0.10 ordinary shares in Ceres Power Holdings plc at prices ranging from £0.10 to the closing mid-market price on the day preceding the share option grant. All options are equity-settled. The vesting period for all options is generally between three and six years. If the options remain unexercised after a period of ten years from the date of the grant, the options expire. Options are forfeited if the employee chooses to leave the Group before the options vest.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2023 £'000		2022 £'000	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding at 1 January	982	£0.84	1,476	£0.75
Exercised	(222)	£0.84	(421)	£0.48
Lapsed	(127)	£0.85	(73)	£0.99
Outstanding at 31 December	633	£0.84	982	£0.84
Exercisable	633	£0.84	982	£0.84

The weighted average share price on the exercise date of options was £3.35 (2022: £5.73).

25. Share options continued

Share-based payments continued

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

	2023 £'000		2022 £'000	
Expiry date – 31 December	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
2023	—	—	250	£0.86
2024	615	£0.84	669	£0.84
2025	4	£0.90	36	£0.90
2026	14	£0.55	27	£0.55

The options outstanding at the end of the year have a weighted average contractual life of 0.63 years (31 December 2022: 1.45 years).

a) 2004 Employees' share option scheme continued

In 2014 and 2016, certain option-holders under the 2004 share option scheme were awarded Employee Shareholder Status ("ESS") shares in the Company's subsidiary, Ceres Power Intermediate Holdings Ltd. The ESS shares were granted as a modification to the unexercised 2004 Employees' share scheme options providing the relevant employees with additional exercise rights. The issue of the ESS shares has not changed the vesting period or exercise price of the unexercised 2004 Employees' share scheme options granted. The total fair value charge of these options remains unchanged and the gross benefit received cannot exceed the gain realisable under the original share options and it cannot be received at an earlier time. Shares granted in Ceres Power Intermediate Holdings Ltd under the ESS scheme have minimal rights attached to them.

b) Sharesave scheme

During 2019 a new HMRC-approved savings-related share option scheme was implemented, under which employees save on a monthly basis, over a three-year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is set at a 20% discount to the market price. The options must be exercised within six months of maturity of the savings contract, otherwise they lapse.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2023 £'000		2022 £'000	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding at 1 January	673	£4.36	984	£2.83
Granted	893	£3.13	394	£5.96
Exercised	(300)	£1.95	(496)	£1.27
Lapsed/cancelled	(416)	£5.82	(209)	£7.53
Outstanding at 31 December	850	£3.52	673	£4.36
Exercisable	—	—	6	£1.27

The weighted average share price on the exercise date of options was £4.02 (2022: £4.43).

The weighted average fair value of options granted in the year was £1.70 (2022: £3.34).

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

	2023 £'000		2022 £'000	
Expiry date – 31 December	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
2023	—	—	308	£1.95
2024	17	£9.83	42	£9.83
2025	83	£5.96	323	£5.96
2026	750	£3.13	—	—

The options outstanding at the end of the year have a weighted average contractual life of 2.78 years (2022: 1.78 years).

25. Share options continued

Share-based payments continued

c) LTIP

During 2016 a Long Term Incentive Plan ("LTIP") was implemented by the Remuneration and Nomination Committee. Participation in the LTIP is at the invitation of the Committee and is intended to be used to incentivise the performance and retention of the Company's Executives and certain key employees.

The maximum awards for all participants are determined by the Remuneration and Nomination Committee with appropriate input from independent advisers. Performance is based on achieving targets. Targets are major milestones which are aligned to the Group's strategic plan and also a sliding scale of Total Shareholder Return ("TSR"), which is measured over a period of three years with an additional holding period of two years for Executives. Malus, hold and clawback conditions apply.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2023 £'000		2022 £'000	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding at 1 January	3,997	£0.10	3,963	£0.10
Granted	1,522	£0.10	892	£0.10
Exercised	(267)	£0.10	(382)	£0.10
Lapsed	(762)	£0.10	(476)	£0.10
Outstanding at 31 December	4,490	£0.10	3,997	£0.10
Exercisable	2,155	£0.10	2,421	£0.10

The weighted average fair value of options granted in the year ending 31 December 2023 was £3.38 (2022: £3.97).

The weighted average share price on the exercise date of options was £3.28 (2022: £5.69).

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

	2023 £'000		2022 £'000	
Expiry date – 31 December	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
2026	829	£0.10	1,029	£0.10
2027	279	£0.10	289	£0.10
2028	543	£0.10	559	£0.10
2029	504	£0.10	544	£0.10
2030	—	—	696	£0.10
2031	—	—	—	—
2032	850	£0.10	880	£0.10
2033	1,485	£0.10	—	—

The options outstanding at the end of the year have a weighted average contractual life of 6.61 years (2022: 6.45 years).

Assumptions

The fair values of the 2004 and Sharesave schemes were measured by use of the Black–Scholes pricing model. The inputs to the Black–Scholes model were as follows:

Grant date	Sharesave scheme 2023 28 April 2023	Sharesave scheme 2022 27 April 2022	Sharesave scheme 2021 30 April 2021	Sharesave scheme 2020 22 January 2020
Share price at date of grant (£)	3.494	7.450	12.290	2.440
Exercise price (£)	3.128	5.960	9.832	1.95
Expected volatility (%)	69%	53%	53%	53%
Expected option life (years)	3.25 years	3.25 years	3.25 years	3.25 years
Average risk-free interest rate (%)	3.61%	1.00%	1.00%	1.00%
Expected dividend yield	Nil	Nil	Nil	Nil

The exercise prices of options are stated above. The expected life of the options is based on the best estimate of the average number of years expected from grant to exercise. The expected volatility is based on historical volatility of the Company's shares since the Company restructured in 2012. The risk-free rate of return is management's estimate of the yield on zero-coupon UK Government bonds of a term consistent with the expected option life.

The fair values of the LTIP schemes were measured using a binomial pricing model and Monte Carlo simulation model.

25. Share options continued

Assumptions continued

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

Grant date	LTIP 2023 23 March 2023	LTIP 2022 23 March 2022	LTIP 2020 (2) 10–21 December 2022	LTIP 2020 (1) 10 October 2020
Share price at date of grant (£)	3.91	7.40	10.52–11.56	2.16
Exercise price (£)	0.1	0.1	0.1	0.1
Expected volatility (%)	69%	64%	31%	21%
Expected option life (years)	Up to 7 years	Up to 7 years	up to 7 years	up to 7 years
Average risk-free interest rate (%)	3.61%	1.46%	1.00%	1.00%
Expected dividend yield	Nil	Nil	Nil	Nil

26. Events after the balance sheet date

Since the end of the year, Ceres announced its first joint SOEC and SOFC licence agreement with Delta Electronics. The agreement includes revenue of £43m to Ceres through technology transfer, development licence fees, and engineering services.

Whilst we continue to maintain strong relationships with both Bosch and Weichai, it is now our belief that the proposed JV is unlikely to be completed in its current form.

In February 2024, we made a strategic decision to discontinue our option to acquire the remaining shares of RFC Power ("RFC"), the pioneering flow battery company, in which Ceres retains a 24.2% stake. We continue to support RFC's development through technology and engineering services, leveraging the complementary nature of our expertise in electrochemistry and systems. This decision is aligned with our strategy to concentrate on our core business areas of fuel cell and electrolysis innovation. We will also continue to support RFC to engage with potential financial and strategic partners to best position it to achieve future growth and success in the energy storage market.

27. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the consolidated financial statements amounts to £5,671,000 as at 31 December 2023 (31 December 2022: £8,679,000). The reduction reflects the progress made during the year with the Group's planned test expansion and the production of the first-of-a-kind electrolysis demonstration unit.

28. Related party transactions

As at 31 December 2023 the Group's related parties were its Directors and RFC Power Ltd. Information around key management compensation is set out in Note 6.

Major shareholders have been considered in the Director's Report and it was concluded that they do not meet the definition of a related party in line with IAS 24 'Related Party Disclosures'.

During the year the following Directors exercised share options:

Date of exercise	Director	Type of options	Total number of options exercised	Weighted average price on exercise	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 year ended 31 December 2022 one Director exercised and retained 7,109 share options under the Company's employee Sharesave scheme and one Director exercised and sold 14,218 share options under the Company's employee Sharesave scheme. There were no other transactions between the Company and the Directors during the year ended 31 December 2022.

Transactions between the Group and RFC Power Ltd, being an associated entity of the Group, comprised engineering consultancy services provided by the Group to RFC Power for the value of £0.6m (31 December 2022: £0.4m) in return for equity share capital as described in Note 13.

Company balance sheet
as at 31 December 2023

	Note	As at 31 Dec 2023 £'000	As at 31 Dec 2022 £'000
Fixed assets			
Investments	3	383,718	382,880
Current assets			
Debtors: amounts falling due within one year	4	2,354	5,138
Cash at bank and in hand	5	239	2,074
		2,593	7,212
Creditors: amounts falling due within one year	6	(1,114)	(2,969)
Net current assets		1,479	4,243
Net assets		385,197	387,123
Capital and reserves			
Called-up share capital	8	19,297	19,209
Share premium		406,184	405,463
Capital redemption reserve	9	3,449	3,449
Profit and loss account		(43,733)	(40,998)
Shareholders' funds		385,197	387,123

The Company made a loss after taxation of £2.8m in the year (2022: £2.8m).

The notes on pages 132 to 135 are an integral part of these Company financial statements.

The financial statements on pages 130 to 135 were approved by the Board of Directors on 12 April 2024 and were signed on its behalf by:

Phil Caldwell
Chief Executive Officer

Eric Lakin
Chief Financial Officer

Ceres Power Holdings plc
Registered Number: 5174075

Company statement of changes in equity
for the year ended 31 December 2023

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2022		19,073	404,726	3,449	(39,201)	388,047
Loss for the financial year		—	—	—	(2,794)	(2,794)
Total comprehensive loss		—	—	—	(2,794)	(2,794)
Transactions with owners						
Issue of shares, net of costs	8	136	737	—	—	873
Share-based payments charge	8	—	—	—	997	997
Total transactions with owners		136	737	—	997	1,870
At 31 December 2022		19,209	405,463	3,449	(40,998)	387,123
Loss for the financial year		—	—	—	(2,802)	(2,802)
Total comprehensive loss		—	—	—	(2,802)	(2,802)
Transactions with owners						
Issue of shares, net of costs	8	88	721	—	—	809
Share-based payments charge	8	—	—	—	67	67
Total transactions with owners		88	721	—	67	876
At 31 December 2023		19,297	406,184	3,449	(43,733)	385,197

The notes on pages 132 to 135 are an integral part of these Company financial statements.

1. Accounting policies used in the preparation of the financial statements

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group-settled, share-based payment; and
- IFRS 7 Financial Instrument Disclosure.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis.

Critical accounting judgements and estimates

The preparation of financial statements under FRS 101 requires the Company's management to make judgements and estimates that affect the reported amounts of assets, liabilities, revenues and costs. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The judgements that are considered to have the most significant impact on the Company's assets and liabilities are set out below:

The review of amounts owed by Group undertakings involved judgement when determining the credit risk of fellow Group undertakings and their ability to repay loans. As at 31 December 2023, management determined that Ceres Power Limited remains unable to repay any amounts in excess of the carrying value of the loan and therefore the historical provision of £59.3m (2022: £59.3m) was maintained.

Management's review of the Company's investments to determine whether an indicator of impairment exists requires estimates to be used when evaluating the carrying value of investments against their value in use. The value in use is estimated using a discounted cash flow valuation. The basis for the projected cash flows is the Group's business plan, which is prepared by management. As at 31 December 2023, this review resulted in management determining that the value in use continues to be in excess of its carrying value, and no impairment is therefore required.

2. Loss for the year

The Company has taken advantage of the exemption available under Section 408 of the Companies Act 2006 and has not presented its profit and loss account. The Company's result for the year ended 31 December 2023 was a loss of £2.8m (31 December 2022: loss of £2.8m), which is stated after charging £68,000 (2022: £54,000) for remuneration receivable by the Company's auditor for the auditing of the financial statements and £30,000 (2022: £150,000) in relation to the review of the interim financial information.

3. Fixed asset investments

Investments in equity securities

Fixed asset investments in subsidiaries are carried at cost less impairment.

Share-based payments

The Group in which the Company is associated has a number of employee and executive share option and award schemes under which it makes equity-settled, share-based payments.

The fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted are measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. The fair value of the share-based payment, determined at the grant date, is measured to reflect vesting and non-vesting conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries with the corresponding credit being recognised directly in equity.

Impairment of fixed asset investments

Investments are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by continuing to hold the asset and benefiting from the net present value of the future cash flows of the investment.

Investment in Group undertakings

	2023 £'000	2022 £'000
Cost		
At 1 January	382,880	380,996
Capital contributions arising from share-based payment charge	828	1,884
Additional investment in shares of Ceres Power Intermediate Holdings Ltd	10	—
At 31 December	383,718	382,880

The Directors have reviewed the investment in its subsidiary for indicators of impairment at the year-end, including considering the progress of technical development, funds held and the positive performance of the Group, as well as the Group's market capitalisation. Accordingly, an indicator of impairment was identified with the Group's market capitalisation being lower than the carrying value of the investments as at 31 December 2023. A detailed impairment test was performed and as a result the Directors continue to believe that the recoverable value of the investment exceeds its carrying value.

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

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

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

The principal activity of Ceres Power Ltd is the commercialisation and continued development of the Group's fuel cell and electrochemical technology. The principal activity of Ceres Intellectual Property Company Ltd is the administration of registered intellectual property developed within the Group. The principal activity of Ceres Power Intermediate Holdings Ltd is as a holding company to the other Group companies and to manage the Group's cash, cash equivalents and investments. The principal activity of Ceres Power Licence Company Ltd is the provision of overseas licence and royalty services.

Changes in the Company's investments are in Note 13 to the Consolidated financial statements on page 93.

4. Debtors: amounts falling due within one year

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method, less any impairment losses. The Company applies the general approach for the impairment review of loans to subsidiaries.

	31 Dec 2023 £'000	31 Dec 2022 £'000
Other debtors	8	24
Prepayments and accrued income	17	21
Amounts owed by Group undertakings	2,329	5,093
	2,354	5,138

The amounts owed by Group undertakings comprise inter-company loans and recharges. No specific repayment or interest terms are associated with these amounts. As of 31 December 2023, a loss allowance of £59,316,000 (31 December 2022: £59,316,000) has been recognised against the inter-company loan to Ceres Power Limited and Ceres Intellectual Property Company Limited, reflecting management's best estimate of the expected credit losses for that balance.

A subordination agreement exists between the Company and Ceres Power Ltd. As at 31 December 2023, amounts owed by Ceres Power Limited to the Company of £60,676,000 (31 December 2022: £60,676,000) are subordinated to all other creditors of Ceres Power Limited.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

6. Creditors: amounts falling due within one year

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Where considered necessary they are subsequently measured at amortised cost using the effective interest method. The amounts owed to Group undertakings comprise inter-company loans and recharges. No specific repayment or interest terms are associated with these amounts.

	31 Dec 2023 £'000	31 Dec 2022 £'000
Other creditors	895	8
Accruals	219	324
Amounts owed to Group undertakings	—	2,637
	1,114	2,969

7. Taxation

Taxation

Tax on the profit or loss for the year comprises current and deferred tax and any adjustment to tax payable in respect of previous years. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Potential deferred tax assets have not been recognised but are set out below:

	31 Dec 2023 £'000	31 Dec 2022 £'000
Tax effect of timing differences because of:		
Short-term timing differences	(5)	(5)
Losses carried forward	(1,688)	(1,751)
	(1,693)	(1,756)

The deferred tax assets have not been recognised as the Directors consider that it is unlikely that the asset will be realised in the foreseeable future. The gross amount of losses carried forward as at 31 December 2023 was £7.0m (31 December 2022: £7.0m), which do not have an expiry date.

8. Called-up share capital

	31 Dec 2023 £'000		31 Dec 2022 £'000	
	Number of £0.10 ordinary shares	£'000	Number of £0.10 ordinary shares	£'000
Allotted and fully paid:				
Ordinary shares at 31 December	192,968,096	19,297	192,086,775	19,209

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

9. Capital redemption reserve

The capital redemption reserve was created in the year ended 30 June 2014 when 86,215,662 deferred ordinary shares of £0.04 each were cancelled.

10. Employees

The Company has no employees other than the Non-Executive Directors (including the Chairman), whose remuneration is set out on page 78.

Directors of Ceres Power Holdings plc
- Trine Borum Bojsen (Non-Executive Director)
- Tudor Brown (Non-Executive Director)
- Phil Caldwell (Chief Executive Officer)
- Warren Finegold (Chairman)
- Uwe Glock (Non-Executive Director)
- Nannan Sun (Non-Executive Director)
- Aidan Hughes (Non-Executive Director)
- Caroline Brown (Non-Executive Director)
- Karen Bomba (Non-Executive Director)
- Professor Dame Julia King (Non-Executive Director)
- Eric Lakin (Chief Financial Officer)

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Glossary

Biofuel
A fuel derived from biomass, rather than by the very slow geological processes involved in the formation of fossil fuels. Most common biofuels include bio-ethanol (from sugar or starch crops) and biodiesel (from oils and fats).

Combined heat and power (CHP)
A unit that generates electricity while at the same time capturing usable heat that is created during this process. This heat can then be used to provide hot water or central heating for example, improving the efficiency of the device.

Decarbonisation
The process of lowering the amount of greenhouse gas emissions (mostly carbon dioxide, CO_2) produced by the burning of fossil fuels.

Efficiency, electrical/thermal
The amount of electricity/heat that is produced by a process for every unit of energy supplied to the process, often expressed as a percentage.

Efficiency, total
The amount of useful energy in any form that a process produces for every unit of energy supplied to the process, often expressed as a percentage.

Electrolyser
A device that uses an electric current to drive a chemical reaction, the reverse process to that of a fuel cell. There are several types of electrolysis technologies:
- Alkaline electrolysis (AEL):In use for more than 100 years, it uses a liquid alkaline electrolyte solution and operates at low temperature with liquid water. It is the largest scale and lowest cost technology today, but is not as efficient as other technologies.
- Proton Exchange Membrane Electrolysis (PEME): Uses a solid electrolyte that requires expensive rare metal catalysts. It can operate at high current densities at low temperature with liquid water and has a high dynamic response
- Solid Oxide Electrolysis Cell (SOEC): Least mature technology, it works at high temperature on steam, giving it significantly higher efficiency and lower operating costs than other technologies when using waste heat, and when integrating it with existing processes such as steel, ammonia and synthetic fuel.

Energy
In physics, the capacity for doing work. It may exist in potential, kinetic, thermal, electrical, chemical, nuclear or other various forms. Measured in Joules or Watt-Hours.

Flow battery (or Redox Flow Battery)
An electrochemical method of storing and generating electricity with flexible storage capacity and flexible discharge electricity rate. A flow battery may be used like a fuel cell or a rechargeable battery, with the electrolyte stored outside of the cell. Unlike a battery, the storage capacity is de-coupled from the cell and the electrolyte can be fed at different rates to generate varying amount of electricity.

Fuel cell
A device for converting chemical energy (fuel) directly into electrical energy without the need for combustion. There are several fuel cell technology families, classified by their operating temperature and the type of electrolyte used. These include:
- Alkaline fuel cell (AFC): relatively low operating temperature (60-80 Celsius) and one of the oldest designs for fuel cells, used in the United States space program since the 1960s. AFCs require pure hydrogen as fuel
- Polymer exchange membrane (PEM) fuel cell: relatively low operating temperature (60-80 Celsius). The low operating temperature means that it doesn't take very long for the fuel cell to warm up and begin generating electricity. Requires pure hydrogen as fuel
- Phosphoric acid fuel cell (PAFC): operate at around 200 Celsius, mature technology and most often used in stationary power generation systems. It has relatively low efficiency and so is typically only used in CHP systems
- Solid oxide fuel cell (SOFC): high operating temperatures (up to 950 Celsius) but highly efficient and able to generate electrical power from multiple fuel types including natural gas, biofuels, hydrogen blends and pure hydrogen. However, these cells are typically expensive as they are constructed from exotic (but fragile) materials resistant to the high operating temperatures.

Stack
An assembly of individual fuel cells into a device that can deliver a large amount of electrical power. Ceres stacks are currently manufactured in 1kW and 5kW units. These can be connected in a modular manner to create higher power systems.

Greenhouse gas
A gas that absorbs infrared radiation (net heat energy) emitted from Earth's surface and reradiates it back contributing to rising surface temperature, or the greenhouse effect. The most common greenhouse gases are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N20) and water vapour (H_2O).

Hydrogen
A highly abundant naturally occurring gas commonly cited as a fuel for the future as it has a high chemical energy content for its mass and creates no harmful emissions when it is burned to release this energy. Hydrogen is currently used as a feedstock for a number of industrial processes (such as metal smelting or fertiliser production) and is commercially defined by its method of production and the treatment of the waste gases produced:
- Brown: produced by using coal where the emissions are released to the air
- Grey: produced from natural gas where the associated emissions are released to the air
- Blue: produced from natural gas, where the emissions are captured using carbon capture and storage
- Pink: produced from electrolysis powered by nuclear energy
- Green: produced from electrolysis powered by renewable electricity

Intellectual property (IP)
An asset that is created by the innovative activities of people and businesses. IP can be in the form of inventions, literary and artistic works, designs and symbols, names and images used in commerce. In business, unique IP is often the basis of competitive advantage and is therefore closely protected for example by calling out a copyright, registering a trade mark, or filing a patent. Intellectual Property Rights are protected by law and allow the holder to assert control over how they are used through contracts and licences.

Natural gas
A fossil fuel energy source that is formed deep beneath the earth's surface. The largest component of natural gas is methane, composed of carbon and hydrogen. When natural gas is burned or used in a fuel cell, it produces energy and waste carbon dioxide.

NOx or Nitrous Oxide
A gas that is often formed as an unwanted biproduct of combustion: the higher the temperature or pressure of the combustion, the more NOx is formed. It is a significant cause of poor air quality.

OEM, Original Equipment Manufacturer
A company that manufactures and sells products or part of a product to another company.

SOFC system
An assembly that is made up of the fuel cell, fuel input handling components and components engineered to manage the electrical power output and waste heat and gases.

SO_x or Sulphur Oxide
The gaseous substance that is formed when sulphur compounds, such as those found in many fossil fuels, are burned. Before low-sulphur fuels ere regulated, they were a significant cause of poor air quality from vehicles.

Watt
The unit by which power is measured. The amount of energy (measured in Joules) is delivered in a fixed amount of time, Joules per Second. Units are typically expressed in kilowatts (1kW = 1,000 watts); megawatts (1MW = 1,000kW); gigawatts (1GW = 1,000MW).

Zero emission
Refers to a vehicle, engine, motor, process or some other energy source, that emits no waste products that pollute the environment or disrupt the climate.

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