FINAL RESULTS

PROTON MOTOR POWER SYSTEMS PLC

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Proton Motor Power Systems PLC
20 June 2023

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Proton Motor Power Systems plc

("Proton", the "Company" or the "Group")

Final Results

Proton Motor Power Systems plc (AIM: PPS), the designer, developer and producer of fuel cells and fuel cell electric hybrid systems with a zero carbon footprint, announces its audited results for the year ended 31 December 2022 (the "Financial Year").

Chairman's statement

Proton Motor Power Systems plc ("Proton Motor") has made further progress this year in proving its technology, building up capacity and sales pipeline. We have strengthened our organisation to be able to deliver complete power supply solutions. Whilst industry and consumer demand for alternative sources of energy continues, the period under review was impacted by the effects of the Russian invasion of Ukraine. Proton Motor´s technology offer continues to mature to remain aligned with this growing demand and supports the continuing commercialisation process of the group.

Highlights

- Total order intake in 2022 of £2,653k (2021: £2,800k), having started the year with five new orders in January - February 2022, we saw a quieter summer period as a result of the Ukraine invasion.

- At the year end the production backlog was £2,950k (2021: £2,514k). Fulfilment of this backlog will result in deliveries of varying configurations of fuel cell systems and also service maintenance charges to customers both in 2023 and 2024.

- 59% of order intake in 2022 (2021: 49%) was derived from the stationary segment, with other orders primarily from the mobile segment. Notable orders announced throughout the year included:
  - further order from E-Trucks Europe for nine HyRange 43 hydrogen fuel cell systems, together with the corresponding maintenance agreement; and
  - a significant order from GKN Hydrogen for 15 S8 stationary fuel cell systems.

- Sales in 2022 were £2,088k (2021: £2,771k), representing an annual change of -25%.

- The operating loss in 2022 was £10,542k vs. £9,121k in 2021 (excluding the effect of embedded derivative in 2021). The increased loss resulted principally from further investment in the technical development area, in staff and infrastructure.

- Cash burn from operating activities has increased during the period from £8,726k in 2021 to £9,207k, in-line with increased investment in staff and technology development and in preparation for our move to new premises. Cash flow is the Group's key financial performance target and our objective is to achieve positive cash flow in the shortest timeframe possible. Current contracts are quoted with up-front payments, reducing reliance on working capital as we continue to invest in our manufacturing capability. The cash position as at 31 December 2022 was £2,579k (31 December 2021: £2,152k).

- A fifteen-year lease agreement has been signed for modern premises which will permit enhanced and efficient production throughflows and provide space to substantially expand the Group's manufacturing, testing and development capacity. The new premises comprises over 13,500 square metres of useable space, of which over 10,500 square metres can be dedicated to production, testing and development with the remainder of the space being devoted to office usage. This represents a seven fold increase in the amount of space available for production when compared to the Company´s current premises.

- In 2022, Proton´s fuel cell system HyRange® won the Prize for Energy 2022 from the federal state of Hesse.

Post year end

- Order intake for the 5 months ended May 2023: £2,552k (5 months ended May 2022: £1,517k).

- At the end of May 2023, the production backlog had a sales value of £4,317k (May 2022: £3,200k). The fulfilment of this backlog will result in deliveries of varying configurations of fuel cell systems and also service maintenance charges to customers both in 2023 and 2024.

- Following the year end, existing loan facilities have been increased by a further €14,500k to ensure operational and investment financing into 2024 with a view to accelerating the investment programme in the face of increasing demand.

Outlook

In the year ahead we are focused on substantially expanding production and development capacity in order to match increasing market demand.

The Board would like to thank all our customers who believe in us, our team of committed employees and our shareholders who have the vision to invest in our mission.

Dr. Nahab, CEO of Proton, commented: "In the year ahead, we will be focused particularly on ramping up production capacity in the new premises and exploiting the current potential order intake and sales and production pipeline.

Posting of accounts and notice of AGM

Notice of the Company's annual general meeting, to be held on 30 June 2023 at 9.30 a.m. BST/10.30 a.m. CET at Proton Motor Fuel Cell GmbH, 7, Benz Street, 82178 Puchheim, Germany, has been sent to shareholders. The Company's audited annual report for the year ended 31 December 2022 will be posted to shareholders shortly and a downloadable version of the annual report and AGM notice will be available on the Company´s website, www.protonmotor-powersystems.com.

For further information:

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Strategic report

Business review

Proton Motor Power Systems plc and subsidiaries' ("the Group's") principal activity is the development of hydrogen fuel cells and fuel cell hybrid systems through its German subsidiary Proton Motor Fuel Cell GmbH ("PM").

A fuel cell is a device that converts the chemical energy of a fuel and an oxidant into electricity, with only warm water as a by-product. In principle, it functions like a combustion engine, but without any harmful emissions and does not require recharging as long as an ongoing fuel source, such as hydrogen, is available. It also emits heat which can be used for example to support heating of passenger buses or buildings. This increases the system efficiency significantly.

Fuel cell engines are widely regarded as a potential alternative to internal combustion engines, power from fossil fuels and battery technology. Fuel cell engines produce no noxious gases and pure hydrogen fuel cells produce no harmful emissions such as carbon dioxide. There is a number of types of fuel cell, classified by the type of electrolyte used, including alkali, molten carbonate, proton exchange membrane ("PEM"), phosphoric acid, and solid oxide. Proton Motor has selected a PEM-based fuel cell as the Directors believe that, based on the PEM's start/stop capability, dynamic operation and life time, it is the only technology able to meet the overall criteria which the Group has specified for its intended commercial applications.

Proton Motor Power Systems plc ("Proton Motor") has made further progress this year in proving its technology, building up capacity and its sales pipeline. The Group sees a strong trend in the market for a transition from pure battery-driven vehicles to hybrid systems (fuel cells and batteries), particularly for larger vehicles such as buses and trucks. The Group has significant know-how in fuel cell stacks and hybridisation. Over the years, different applications provide good examples of Proton Motor's in depth know-how. These include: the Deutsche Bahn back-up power solutions; the containerised 100kw power solution for the renewable energy campus at APEX; the fuel cell based power genset HyShelter® 240 for Shell Hydrogen; the HyRail fuel cell system for a rail milling machine for the Austrian company Linsinger; a TriHyBus in Czech Republic; the HyRange® 43 fuel cell system for garbage collecting trucks; and a number of different maritime projects, including the ZEUS project with Fincantieri.

The Group also continues to see an increase in the potential order sizes from the market. To be prepared for this, Proton Motor will be expanding its production capacity to several thousand stacks, fuel cell systems and turnkey solution per year. To facilitate this, Proton has signed a lease agreement for an additional production site, near to its headquarters in Puchheim. Production at the new facility is expected to commence in 2024.

The Group has always recognised the commercial importance and value of protecting its intellectual property ("IP") and, therefore, the need to protect it wherever possible by way of patents and trademarks. The Group's key IP portfolio comprises a mixture of granted patents, patent applications, trademarks, confidential information and know-how.

The Group undertakes comprehensive business planning to define long-term strategic objectives and goals. Annual budgets and operational plans are prepared utilising financial and non-financial Key Performance Indicators ("KPIs"). Business performance is measured by KPIs which include monitoring of actual against budget and rolling forecasts, and R&D project status. These are reported to the Board on a monthly basis. It is difficult to disclose non-financial key performance indicators which are not commercially sensitive, such as the number of fuel cells produced and the fuel cell production cost per kW of output.

The Company began as Magnet Motor, opening its factory in 1980. The technology and application roadmap went from the world's first triple hybrid forklift truck to a fuel cell ship. After that PM developed the triple hybrid Skoda bus in 2008. Containerised power solutions completed the application portfolio. All those applications are powered via our own fuel cell stacks, with a robust design for a long lifetime. The Company established operations close to Munich area and was one of the first German designers and manufacturers of fuel cells.

View to the future

The world is committed to protecting the environment. Cities and governments, pushed by the European Commission, must reduce inner-city pollution drastically. Society and economy have to switch to renewable energy sources such as wind and solar. These energy sources are only available on a fluctuating basis and therefore the need for a long time storage solution is needed, and hydrogen is the only possibility. In this regard the fuel cells will ramp up as the ideal consumers for emission free power and energy supply. China fights against smog in its big cities. After Dieselgate in the US and Europe, electric vehicles with batteries are on the move. All this is generating a market for clean transport and energy. Based on that development, the world market for fuel cell products and solutions is more active than ever.

Beside pure battery solutions, hydrogen fuel cells are in focus. Corporations such as Toyota, Hyundai, and Daimler are pushing the technology forward. Fuel cells provide benefits such as fast refuelling and long range of operation. Hydrogen is reproducible and can make use of surplus energy from wind and solar power. Europe has put major funding programmes in place to set up a hydrogen infrastructure. The same is now happening in Japan, Korea and China. The Chinese government is fully committed to fuel cell technology with major regulatory and funding support.

Proton Motor has profound experience in applications in heavy duty vehicles such as buses and trucks, , stationary power solutions, ships, rail machines and material handling applications. With just over 100 staff members it is relatively small but regarding IP and experience a powerful company. Proton Motor has developed and continues to develop its own fuel cell stacks. Systems are designed from first simulation, prototype up to final solution for volume manufacturing. Proton Motor is cooperating with German and European based companies in the field of fuel cell technology.

Market drivers

The Board views that growth in the fuel cell market will be determined by the following factors:

- The ongoing depletion of fossil fuel reserves;
- United Nations Framework Convention on Climate Change ("UNFCCC") COP legalisation on climate change;
- Strengthening competitiveness on cleantech technology in Europe and making Europe more independent from Asia
- Current and future air quality regulation;
- Growing industrial and consumer demand for alternative sources of energy;
- The potential long term competitiveness of the auto and transportation industries;
- Energy security concerns;
- Limitations of purely battery powered propulsion systems;
- Renewable energy storage systems industrial buildings and private residences;
- Discussions regarding hydrogen as an energy storage for green energy (power to gas);
- A growing global demand for transportation;
- Increasingly urgent demands for healthy breathable air in urban centres and for action to mitigate the adverse aspects of climate change;
- The growing availability and the compelling economics of cleaner fuels; and
- Increasing political commitment to hydrogen on an EU, national and regional level.

Increasing political commitment to hydrogen as an energy source:

European Union (EU)

- The EU originated European Clean Hydrogen Alliance (ECH2A) was announced as part of the New Industrial Strategy for Europe, which was launched on 8 July 2020 within the context of the hydrogen strategy for a climate-neutral Europe.
- The European Clean Hydrogen Alliance aims at an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution. With the alliance, the EU wants to build its global leadership in this domain, to support the EU's commitment to reach carbon neutrality by 2050. https://www.ech2a.eu/
- Proton Motor has been participating in the ECH2A founding process.
- Proton Motor is already participating in the EU REVIVE project. REVIVE stands for 'Refuse Vehicle Innovation and Validation in Europe'. The project has been running from the beginning of 2018. The objective of REVIVE is to significantly advance the state of development of fuel cell refuse trucks, by integrating fuel cell powertrains into 15 vehicles and deploying them across 8 sites in Europe. It aims to deliver substantial technical progress by integrating fuel cell engines from three suppliers into a mainstream DAF chassis, and developing effective hardware and control strategies to meet highly demanding refuse truck duty cycles.
- There is also the EU JIVE project. The JIVE (Joint Initiative for hydrogen Vehicles across Europe) project seeks to deploy 139 new zero emission fuel cell buses and associated refuelling infrastructure across five countries. JIVE is running for six years from January 2017 and is co-funded by a €32 million grant from the FCH JU (Fuel Cells and Hydrogen Joint Undertaking) under the European Union Horizon 2020 framework programme for research and innovation. The project consortium comprises 22 partners from seven countries.

Federal Republic of Germany

Germany is a prime market for the Proton Group. On 3 June 2020 Germany´s coalition government presented a €130 billion (£114 billion) fiscal stimulus package over two years. This package includes the following elements with regard to the role of hydrogen:

- The 'national fuel cell strategy' will support the hydrogen industry with €7 billion. The goal is to make Germany a global champion in the hydrogen industry and to export it on a global basis. By 2030, Germany plans to install 30 Gigawatt of electrolysers to produce green hydrogen from offshore and onshore alternative energy. Additionally, the German government is seeking to support the shift from fossil energy to hydrogen in all types of industrial processes.

- The automotive (supplier) industry will receive a bonus programme worth €2 billion in the years 2020 and 2021 to invest into R&D for new technology.
- Subsidies worth €1.2 billion for public and private operators of buses and commercial vehicles with alternative power units.

United Kingdom

- UK (November 2020): 5GW of low carbon H2 production by 2030 & £240m in to a Net Zero Hydrogen Fund (part of the UK government's 10-point plan for a Green Industrial Revolution).

Identification of Target Market segments

According to a study conducted by the market research company Global Market Insights the 2021 global fuel cells market size was valued at approximately USD 3.0 billion, The upwards trend in fuel cell demand is foreseen to continue. Expecting a CAGR of 10.1 % during the years 2022-2030, the total market size will exceed USD 8.6 billion in 2030 (Fuel Cell Market Size | Industry Share Report, 2022-2030 (gminsights.com)).

Proton Motor has identified the following broad market segments:

- Stationary applications
- Automotive applications
- Rail
- Maritime

More specifically these include:

- Solutions for renewable energy storage systems based on hydrogen;
- grid independent or grid isolated power supply.
- power supply systems for emergency power systems (e.g. for critical infrastructure or datacentre)
- heavy and light duty vehicles (e.g. trucks, city busses)
- Ships and boats
- rail machines and passenger trains
- off-road applications (e.g. material handling, construction machines)

For this reason the Group has structured its operational business units into the same four segments.

Proton Stationary

This market includes back up power for critical infrastructure, telecoms and data centre installations. Buildings and the storage of renewable energy in hydrogen are also becoming an interesting growing market as evidenced by the installation of the autonomous ecosystem in Switzerland which included one of our fuel cells.

Stationary fuel cell units can replace diesel generators in telecoms, data centres and ecological houses. The benefits for the end user are that fuel cell units require less maintenance than the old polluting generators that are prone to algae build-up in the diesel tank, which causes high maintenance cost. It is also possible to monitor the Proton Motor system remotely, which again saves time and manpower.

Proton Mobility/Rail

This market includes city buses, airport vehicles, trucks, off-road vehicles and other heavy duty vehicles such as fork lift trucks. The mobility sector sees many future challenges with emission free to automated driving with the vehicle becoming a power source itself. Proton Motor is participating in the EU REVIVE project. REVIVE stands for 'Refuse Vehicle Innovation and Validation in Europe'. The project has been started in 2018 and will run until mid 2024. The objective of REVIVE is to significantly advance the state of development of fuel cell refuse trucks, by integrating fuel cell powertrains into 15 vehicles and deploying them across 8 sites in Europe. It aims to deliver substantial technical progress by integrating fuel cell systems from three suppliers into a mainstream DAF chassis and developing effective hardware and control strategies to meet highly demanding refuse truck duty cycles.

Proton Motor is also participating in the EU StasHH Project. The consortium operating together as "StasHH" (Standard-Sized Heavy-Duty Hydrogen) comprises 11 fuel cell module suppliers, 9 original equipment manufacturers and 5 research, test, engineering and/or knowledge institutes and will standardise physical dimensions, flow and digital interfaces, test protocols and safety requirements of the fuel cell modules that can be stacked and integrated in heavy duty applications like forklifts, buses, trucks, trains, ships, and construction equipment. The consortium receives €7.5 million funding from the European

Union, through the "Fuel Cells and Hydrogen Joint Undertaking" (FCH JU), in order to kickstart the adoption of fuel cells in the heavy duty sector. The total budget for the StasHH mission is €15.2 million.

Further mobile applications of the Proton Motor technology will be seen in the public transport and logistics arena. Proton Motor was the first company to develop a hybrid range extender battery/fuel cell engine. This technology permits the usage of both systems in an optimised way with long lifetime expectation. In the meantime, the range extender concept is adopted by the industry especially for heavy duty vehicle applications.

The ongoing "Dieselgate" situation and the COP targets present the industry as a whole but in particular the automotive, industry with a huge challenge.

Proton Maritime

Building on the success with our tourist ship in Hamburg, Proton Motor sells the know-how capability to partners to evolve this market. The Group delivered the first feasibility study for an underwater vessel. Proton Motor, again, clearly demonstrates capability within the technology.

Proton Motor is participating in a Bavarian funded project Ma-Hy-Hy together with the main partner Torqeedo. Torqeedo, part of the Deutz Group, is a leader in electric mobility on water offering electric and hybrid drives from 0.5 to 100kW for commercial and recreational use. The project has the target to develop a marine hydrogen hybrid system building kit, which will be able to deliver fuel cell powers between 30 and 120 kW and variable hydrogen storage capacity. The project will complement Torqeedo's existing Deep Blue Hybrid portfolio of marine drive systems.

Power Solutions are becoming tailor-made

CleanTech Power Solutions will become more diverse and more flexible. That is why at Proton Motor we are making our offering of products and services bespoke to customer requirements based on our standard suite of CleanTech products aimed at each market sector in a scalable modular approach. As power requirements increase our approach allows users to simply add additional modules all controlled from our unique software. This shift towards modular standardisation results in accelerated deployment in our target markets with simplification and cost reduction.

Group activities

With the successful setting up of the production lines for the fourth generation PM400 Stack Modules, the HyModule® S8 systems and the HyFrame® systems, the Group has been focusing on selling fuel cell systems with an electrical power output from 8 kW up to 150 kW for mobile, stationary, maritime and rail applications. The Group has increased production of its HyModule® S8 and HyFrame® units, due to regular order income from several customers, including GKN Hydrogen, Umstro and Wilo.

With these fourth-generation fuel cell stacks and systems, the Group has set up strategic partnerships with electrical drive train manufacturers and industrial partners. The systems can be used in combination with a battery connected to a hybrid drive train for electric driven light duty vehicles, trucks, inner city buses or industrial power supply solutions. We also expect growing demand in the near future from manufacturers of municipality maintenance vehicles. Also, the fourth-generation fuel cell stacks will be used for rail and maritime applications.

As part of the EU funded project REVIVE, in which Proton Motor has been a member of the project consortium since 2019, a fuel cell system for integration into a garbage truck has been designed. A Stack Module PM400-144 is being integrated into the HyRange® 43 fuel cell system. The integration into the truck is being carried out together with the vehicle manufacturer, ETrucks, from Belgium. The first system was delivered in 2020. Since then, ETrucks have repeatedly ordered HyRange® 43 fuel cell systems in two designs. One design for mounting under the driver's cabin and the second is for mounting on the roof. In total, ETrucks has ordered 21 HyRange® 43 systems, 11 of which have been delivered to date.

Since mid-2022, the HyShelter® 240 system commissioned by Shell has been in normal operation and was handed over to the operator. In April 2023, Shell ordered an additional two HyShelter® 240 systems which will be delivered in 2024.

The Group's HyFrame® systems are also being used in Hydrogen solutions by the German company Wilo. Since April 2023, three HyFrame® S36 fuel cell systems have been in operation in the H2Powerplant of Wilo at the Wilo headquarters in Dortmund.

After the successful installation of the production line for the HyModule® S8 fuel cell system at the Group's headquarter in Puchheim, in 2022 a first production line for HyFrame® fuel cell systems were installed. In October 2022, the Group signed a rental agreement for a new production facility in Fürstenfeldbruck, near to Proton Motor´s Puchheim headquarter. The new site will be mainly used for the production and commissioning of fuel cell stacks, systems and containerized turnkey solutions. The start of production at the new facility is planned to commence in 2024. The automated fuel cell stack production will be integrated in the new facility. With this new site, Proton will expand its production capacities to several thousand stacks, fuel cell systems and turnkey solutions per year.

Operational Strategy

Sales and growth strategy

Proton Motor is seeking to ramp up capacity to achieve organic growth through its own sales and production capacity and is also seeking to achieve growth by offering licensing partnerships, which will allow manufacture of the complete system locally by a licensing partner. Furthermore, Proton Motor is seeking mutually beneficial cooperations with suitable partners within joint ventures and other such undertakings.

Proton Motor is targeting mid-size technology companies as well as large multinationals as cooperation partners. The Group is specifically looking for partners with market access for its applications and solutions. These partners should already be active in the market for electric power supply solutions or be planning to address those markets. Adding a fuel cell is often seen as the key to solving critical problems associated with pure battery or diesel powered products.

The Group will offer solutions for all four target markets: stationary, automotive, rail and maritime. The Group will also continue its focus on further developing fuel cell stacks and systems.

The sales process always starts with consulting, simulation, packaging study, integration, testing and final roll out with service support. Proton Motor can act as turnkey supplier for a complete solution with all the necessary know-how under one roof. A one-stop CleanTech Power Solution provider. To have its own fuel cell stack gives a complete product offering from stack to final application which the Directors see as necessary to supply customers with a complete and optimised solution. The benefits for customers are obvious. Know-how and solutions are available for a fast integration process, saving time and money for our customers. The Group has signed cooperation agreements with companies, which provide the planning and integration part of a project.

The Group sees growing market demand for safe, secure and clean power world-wide. Data centre demand will be significant in the coming years. The combination of the fuel cell series with a UPS and the optimisation of both systems will help to boost sales in the near future. The newly designed product with capabilities to be integrated and controlled via a smart grid will also have great potential.

Manufacturing strategy

To date, the Group's HyStack® fuel cell modules and fuel cell hybrid systems have been produced in relatively small volumes, on a project-by-project basis, largely utilising a combination of semi-automated processes and manual assembly. In order to meet our manufacturing goals and achieve the market demand, the Directors have: identified target markets and commercial applications;

- established further key commercial partnerships within these target markets;
- designed the Group's fuel cells and fuel cell hybrid systems to meet the engineering requirements for volume manufacturing;
- switched over to a new and more cost effective stack generation which will lead to a decrease in production costs;
- established quality control procedures;
- installed professional commercial test benches to ensure high quality standards for the Group's fuel cells and fuel cell engines;
- built up a new electrical infrastructure for continuous testing;
- reviewed, risk assessed and secured supplier and component manufacturing relationships;
- identified second source suppliers and addressed new suppliers for critical components;
- identified and assessed major commercial factors, such as cost, availability, robustness and durability of components; and
- secured and properly documented necessary regulatory and operational approvals for each application.

Competitive advantages

The Directors are confident that the Group's technology brings the following distinct combination of characteristics to the power systems market:

- zero harmful emissions;
- lower fuel consumption than comparable commercial alternatives;
- silent operation;
- standard fuel cell stack for use in multiple applications;
- modular fuel cell systems for easy customer adoptions;
- a reliable, robust and durable technology; and
- successful integration of fuel cell technology into a hybrid system.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The Board reviews these risks, as outlined in the Corporate Governance Statement, and puts in place policies to mitigate them.

s172(1) statement

The disclosures required for s172 reporting can be found in the respective section of the financial statements.

Outlook

The Group's principal objective is to expand volume manufacturing initially through the investment in our new premises and beyond that with industrial partners based on licence agreements and mutually beneficial cooperations, such as joint ventures. This will enable the Group to achieve a more economically competitive unit cost for its fuel cells and fuel cell hybrid systems. Also the Group will utilize the sales channels of its industrial partners to address various markets and ensure growth of sales volume. The Directors believe that the advanced stage of commercialisation of the Group's technology, coupled with the Group's preferred partnerships, will enable the business to establish itself firmly as a leading, global, fuel cell, fuel cell hybrid system provider.

I would like to personally thank all our customers who believe in us, our team of committed employees and our shareholders who have the vision to invest in our mission.

Dr. Faiz Nahab Date: 19 June 2023
Chief Executive Officer

Consolidated income statement
for the year ended 31 December 2022

	Note	2022 £'000	2021 as restated £'000
Revenue	*4*	**2,088**	2,771
Cost of sales		**(2,089)**	(2,346)
Gross (loss)/ profit		**(1)**	425
Other operating income		**604**	501
Administrative expenses		**(11,057)**	(10,047)
Operating loss		**(10,454)**	(9,121)
Finance income	*9*	**-**	3
Finance (costs) / income	*10*	**(8,450)**	3,222
(Loss) for the year before embedded derivatives		**(18,904)**	(5,896)
Fair value gain on embedded derivatives	*22*	**-**	320,910
(Loss) / Profit for the year before tax	*5*	**(18,904)**	315,014
Tax	*8*	**-**	-
(Loss) / Profit for the year after tax		**(18,904)**	315,014

		2022	2021 as restated
(Loss) / Profit per share (expressed as pence per share)			
Basic	*11*	**(1.2)**	20.4
Diluted	*11*	**(1.2)**	20.2

Loss per share excluding embedded derivative

(expressed as pence per share)			
Basic	*11*	**(1.2)**	(0.4)
Diluted	*11*	**(1.2)**	(0.4)

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	2022	2021
		as restated
	£'000	£'000
(Loss) / Profit for the year	**(18,904)**	315,014
Other comprehensive (expense)		
Items that may not be reclassified to profit and loss		
Exchange differences on translating foreign operations	**(959)**	(586)
Total other comprehensive (expense)	**(959)**	(586)
Total comprehensive (expense) for the year	**(19,863)**	314,428
Attributable to owners of the parent	**(19,863)**	314,428

Consolidated Statement of Financial Position

as at 31 December 2022

		Group	
		2022	2021
	Note		as restated
		£'000	£'000
Assets			
Non-current assets			
Intangible assets	*12*	**149**	78
Property, plant and equipment	*13*	**2,037**	1,918
Right-of-use assets	*14*	**452**	111
Fixed asset investments	*15*	**-**	11
		2,638	1,819
Current assets			
Inventories	*16*	**2,302**	1,835
Trade and other receivables	*17*	**946**	1,624
Cash and cash equivalents	*18*	**2,720**	2,152
		5,968	5,611
Total assets		**8,606**	7,430
Liabilities			
Current liabilities			
Trade and other payables	*19*	**4,657**	4,498
Lease debt	*20*	**215**	111
Borrowings	*21*	**466**	517
		5,338	5,126
Non-current liabilities			
Lease debt	*20*	**252**	8
Borrowings	*21*	**103,007**	83,956
		103,259	83,964
Total liabilities		**108,597**	89,090

Net liabilities		**(99,991)**	(81,660)

Equity			
Equity attributable to equity holders of the parent company			
Share capital	*24*	**11,040**	11,023
Share premium		**20,717**	20,390
Merger reserve		**15,656**	15,656
Reverse acquisition reserve		**(13,861)**	(13,861)
Share option reserve		**2,728**	2,187
Foreign translation reserve		**12,509**	11,745
Capital contribution reserve		**289,497**	289,434
Accumulated losses			
At 1 January 2022		**(418,234)**	(732,390)
(Loss) / Profit for the year attributable to the owners		**(18,904)**	315,014
Other changes in retained earnings		**(1,139)**	(858)
Total equity		**(99,991)**	(81,660)

Statement of Financial Position - Company
as at 31 December 2022

		Company	
		2022	2021
	Note		As restated
		£'000	£'000
Assets			
Current assets			
Trade and other receivables	*17*	**254**	**366**
Cash and cash equivalents	*18*	**9**	**20**
		263	**386**
Total assets		**263**	**386**
Liabilities			
Current liabilities			
Trade and other payables	*19*	**751**	**780**
Lease debt		**-**	**-**
Borrowings		**-**	**-**
		751	**780**
Non-current liabilities			
Lease debt		**-**	**-**
Borrowings	*21*	**103,007**	**83,956**
		103,007	**83,956**
Total liabilities		**103,758**	**84,736**
Net liabilities		**(103,495)**	**(84,350)**
Equity			
Equity attributable to equity holders of the parent company			
Share capital	*24*	**11,040**	**11,023**
Share premium		**20,717**	**20,390**

Capital contribution reserve	**288,291**	**288,291**
Merger reserve	**15,656**	**15,656**
Share option reserve	**2,728**	**2,187**
Accumulated losses		
At 1 January 2022	**(421,897)**	**(735,366)**
(Loss) / profit for the year attributable to the owners	**(19,849)**	**313,741**
Other changes in retained earnings	**(181)**	**(272)**
Total equity	**(103,495)**	**(84,350)**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

Group	Share Capital	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Share Option Reserve	Foreign Translation Reserve	Capital Contribution Reserve	Accumulated Losses	Total Equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2021	**10,598**	**19,574**	**15,656**	**(13,861)**	**949**	**11,038**	**1,215**	**(732,390)**	**(687,221)**
Share based payments	4	284	-	-	1,238	-	-	(272)	1,254
Proceeds from share issues	421	532	-	-	-	-	-	-	953
Derecognition of embedded derivative - as restated	-	-	-	-	-	-	288,291	-	288,291
Transactions with owners - as restated	**425**	**816**	**-**	**-**	**1,238**	**-**	**288,291**	**(272)**	**290,498**
Profit for the year	-	-	-	-	-	-	-	315,014	315,014
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	707	(72)	(586)	49
Total comprehensive income for the year - as restated	**-**	**-**	**-**	**-**	**-**	**707**	**(72)**	**314,428**	**315,063**
Balance at 31 December 2021 - as restated	**11,023**	**20,390**	**15,656**	**(13,861)**	**2,187**	**11,745**	**289,434**	**(418,234)**	**(81,660)**
Balance at 1 January 2022	**11,023**	**20,390**	**15,656**	**(13,861)**	**2,187**	**11,745**	**289,434**	**(418,234)**	**(81,660)**
Share based payments	13	217	-	-	541	-	-	(180)	591
Proceeds from share issues	4	110	-	-	-	-	-	-	114
Transactions with owners	**17**	**327**	**-**	**-**	**541**	**-**	**-**	**(180)**	**705**
Loss for the year	-	-	-	-	-	-	-	(18,904)	(18,904)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	764	63	(959)	**(132)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**764**	**63**	**(19,863)**	**(19,036)**
Balance at 31 December 2022	**11,040**	**20,717**	**15,656**	**(13,861)**	**2,728**	**12,509**	**289,497**	**(438,277)**	**(99,991)**

Statements of Changes in Equity - Company

for the year ended 31 December 2022

Company	Share Capital £'000	Share Premium £'000	Capital Contribution Reserve £'000	Merger Reserve £'000	Share Option Reserve £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 1 January 2021	**10,598**	**19,574**	**-**	**15,656**	**949**	**(735,366)**	**(688,589)**
Share based payments	4	284	-	-	1,238	(272)	1,254
Proceeds from share issues	421	532	-	-	-	-	953
Derecognition of embedded derivative - as restated	-	-	288,291	-	-	-	288,291
Transactions with owners - as restated	**425**	**816**	**288,291**	**-**	**1,238**	**(272)**	**290,498**
Profit for the year	-	-	-	-	-	313,741	313,741
Total comprehensive expense for the year - as restated	**-**	**-**	**-**	**-**	**-**	**313,741**	**313,741**
Balance at 31 December 2021 - as restated	**11,023**	**20,390**	**288,291**	**15,656**	**2,187**	**(421,897)**	**(84,350)**
Balance at 1 January 2022	**11,023**	**20,390**	**288,291**	**15,656**	**2,187**	**(421,897)**	**(84,350)**
Share based payments	13	217	-	-	541	(181)	590
Proceeds from share issues	4	110	-	-	-	-	114
Transactions with owners	**17**	**327**	**-**	**-**	**541**	**(181)**	**704**
Loss for the year	-	-	-	-	-	(19,849)	(19,849)
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(19,849)**	**(19,849)**
Balance at 31 December 2022	**11,040**	**20,717**	**288,291**	**15,656**	**2,728**	**(441,927)**	**(103,495)**

Share premium

Costs directly associated with the issue of the new shares have been set off against the premium generated on issue of new shares.

Merger reserve

The merger reserve of £15,656,000 arises as a result of the acquisition of Proton Motor Fuel Cell GmbH and represents the difference between the nominal value of the share capital issued by the Company and its fair value at 31 October 2006, the date of the acquisition.

Reverse acquisition reserve

The reverse acquisition reserve (Group only) arises as a result of the method of accounting for the acquisition of Proton Motor Fuel Cell GmbH by the Company. In accordance with IFRS 3 the acquisition has been accounted for as a reverse acquisition.

Share option reserve

The Group operates two equity settled share-based compensation schemes. The fair value of the employee services received for the grant of the share awards/options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards/options granted. At each balance sheet date the Company revises its estimate of the number of share awards/options that are expected to vest. The original expense and revisions of the original estimates are reflected in the income statement with a corresponding adjustment to equity. The share option reserve represents the balance of that equity.

Capital contribution reserve

The captial contribution reserves include a balance of £288,291,235 in relation to the gain on release of an embedded derivative held by the shareholders in December 2021. The waiver of a conversion feature on loan instruments, and subsequent derecognition of embedded derivative, was considered to constitute a transaction with owners in their capacity as owners and as such the gain was presented in equity. See Note 22 for further detail.

Consolidated Statement of cash flows

for the year ended 31 December 2022

	Group	
	Year ended 31 December	
	2022	2021
		as restated
	£'000	£'000
Cash flows from operating activities		
Profit / (Loss) for the year	**(18,904)**	315,014
Adjustments for:		
Depreciation and amortisation	**666**	641
Interest income	**-**	(3)
Interest expense	**3,629**	1,498
Share based payments	**361**	966
Movement in inventories	**(466)**	(45)
Movement in trade and other receivables	**678**	(1,276)
Movement in trade and other payables	**159**	109
Movement in fair value of embedded derivatives	**-**	(320,910)
Effect of foreign exchange rates	**4,821**	(4,720)
Net cash (used in) / generated from operating activities	**(9,056)**	(8,726)
Cash flows from investing activities		
Purchase of intangible assets	**(102)**	(44)
Purchase of property, plant and equipment	**(779)**	(633)
Interest received	**-**	3
Net cash used in investing activities	**(881)**	(674)
Cash flows from financing activities		
Proceeds from issue of loan instruments	**10,656**	7,962
Proceeds from issue of new shares	**114**	1,241
Repayment of other borrowings	**(51)**	(297)
New obligations of lease debt	**-**	21
Repayment of obligations under lease debt	**(191)**	(202)
Net cash generated from financing activities	**10,528**	8,725
Net increase/(decrease) in cash and cash equivalents	**591**	(675)
Effect of foreign exchange rates	**(23)**	88
Opening cash and cash equivalents	**2,152**	2,739
Closing cash and cash equivalents	**2,720**	2,152

Statement of cash flows - Company

for the year ended 31 December 2022

	Company
	Year ended 31 December

	2022	2021
		as restated
	£'000	£'000
Cash flows from operating activities		
Loss for the year	**(19,849)**	313,741
Adjustments for:		
Impairment of investment	**10,585**	8,877
Interest income	**(7)**	(12)
Interest expense	**3,574**	1,476
Share based payments	**590**	966
Movement in trade and other receivables	**112**	(156)
Movement in trade and other payables	**(29)**	415
Movement in fair value of embedded derivatives	**-**	(320,910)
Effect of foreign exchange rates	**4,821**	(4,720)
Net cash (used in) / generated from operating activities	**(203)**	(323)
Cash flows from investing activities		
Capital contribution to subsidiaries	**(10,585)**	(8,877)
Interest received	**7**	12
Net cash used in investing activities	**(10,578)**	(8,865)
Cash flows from financing activities		
Proceeds from issue of loan instruments	**10,656**	7,962
Proceeds from issue of new shares	**114**	1,241
Repayment of short-term borrowings	**-**	-
Net cash generated from financing activities	**10,770**	9,203
Net increase/(decrease) in cash and cash equivalents	**(11)**	15
Effect of foreign exchange rates	**-**	-
Opening cash and cash equivalents	**20**	5
Closing cash and cash equivalents	**9**	20

Notes to the consolidated financial statements

1. General information

Proton Motor Power Systems plc ("the Company") and its subsidiaries (together "the Group") design, develop, manufacture and test fuel cells and fuel cell hybrid systems as well as the related technical components. The Group's design, research and development and production facilities are located in Germany.

The Company is a public limited liability company incorporated in England and Wales, and domiciled in the UK. The address of its registered office is: c/o Womble Bond Dickson (UK) LLP, 4 More London Riverside, London, England, SE1 2AU. The Company was admitted to the AIM Market of the London Stock Exchange on 31 October 2006 and its shares are quoted on this exchange.

Directors

The Directors who held office during the year and up to the date of approval of this announcement were as follows:

Dr. Faiz Nahab	Chief Executive[1,3]
Helmut Gierse	Chairman[2]

Antonio Bossi	Non-Executive Director[5]
Ali Naini (appointed 31 May 2023)**	Non-Executive Director
Sebastian Goldner	Chief Technical Officer and Chief Operations Officer
Roman Kotlarzewski	Chief Financial Officer and Company Secretary[4,6]
Manfred Limbrunner	Director Governmental Affairs and Funding

1 Chairman of the Remuneration Committee.

2 Chairman of the Audit Committee.

3 Chairman of the Nominations Committee.

4 Member of the Remuneration Committee.

5 Member of the Audit Committee.

6 Member of the Nominations Committee.

** Ali Naini was appointed as a director on 31 May 2023. His base remuneration was set at £nil

2. Summary of significant accounting policies

The Board approved this announcement on 19 June 2023. The financial information included in this announcement does not constitute the Group´s statutory accounts for the years ended 31 December 2022 or 31 December 2021. Statutory accounts for the year ended 31 December 2021 have been delivered to Companies House. The statutory accounts for the year ended 31 December 2022 will be delivered to Companies House accordingly.

Basis of preparation

The consolidated financial statements of the Group and the financial statements of the Company have been prepared in accordance with UK adopted international accounting standards (IFRS) and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.

The consolidated financial statements and the financial statements of the Company have been prepared under the historical cost convention and in accordance with IFRS interpretations (IFRS IC) except for embedded derivatives which are carried at fair value through the income statement and on the basis that the Group continues to be a going concern.

Until such time as the Group achieves operational cash inflows through becoming a volume producer of its products to a receptive market it will remain dependent on its ability to raise cash to fund its operations from existing and potential shareholders and the debt market. The Group has historically been dependent on the continuing financial support of its main investors, SFN Cleantech Investment Ltd and Mr Falih Nahab to meet its day-to-day working capital requirements. The Group has loans with SFN Cleantech Investment Ltd of €2.4m and €32.3m and also a loan facility with Mr. Falih Nahab of €56.9m. The repayment date for all loans is 31 December 2025. As such the loans are held as non-current borrowings in the financial statements.

Subsequent to the 2022 year end the following changes to the existing loan facilities were made:

Lender:	Facility at 31 December 2022	*Drawn down as at 31 December 2022*	Increase of facility	Facility at the date of this report
SFN Cleantech Investment Ltd	€32.3m **(£28.7m)*	*€29.7m* **(£26.3m)*	€ nil	€32.3m **(£28.7m)*
SFN Cleantech Investment Ltd	€2.4m **(£2.0m)*	*€2.4m* **(£2.0m)*	€ nil	€2.4m **(£2.0m)*
Mr. Falih Nahab	€56.9m **(£50.4m)*	*€54.7m* **(£48.5m)*	€14.5m **(£12.9m)*	€71.4m **(£63.3m)*
Total	€91.6m **(£81.1m)*	*€86.8m* **(£76.8m)*	€14.5m **(£12.9m)*	€106.1m **(£94.0m)*

*all loan facilities are denominated in EURO. Balances translated at year end rate to Group presentation currency of British Pound in the table above for information purposes only.

The Group will, at the date of sign off of the accounts, have in place committed facilities from SFN Cleantech Investment Ltd and Mr Falih Nahab of up to €106.1m which will become repayable at the end of 2025. Cash flow forecasts demonstrate that the undrawn portions of these committed facilities enable the Company and the Group to meet its cash requirements for the period up to at least June 2024. The Company and Group are also able to defer discretionary spend during this period to provide further cash flow headroom, should this be required.

At this point in time there has been no indication of circumstances which would lead to either or both SFN Cleantech Investment Ltd and Mr Falih Nahab withdrawing this support beyond June 2024. Both SFN Cleantech Investment Ltd and Mr Falih Nahab have confirmed their intention to fund further investment through the sale of shares in the Company.

Due to the variability of the value of shareholding in the Company and lack of knowledge of other assets held, material uncertainty exists which may cast significant doubt upon the Group and the Company's ability to continue as a going concern. The Directors firmly believe however that the Group and Company remain a going concern on the grounds that both SFN Cleantech Investment Ltd and Falih Nahab have continued to support both entities throughout recent years, as well as funding having been agreed by SFN Cleantech Investment Ltd and Falih Nahab for at least the next 12 months.

The financial statements do not include the adjustments that would result if the Group or Company was unable to continue as a going concern.

3. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Recognition of development costs

Self developed intangible assets are recognised where the Group can estimate that it is probable that future economic benefits will flow to the entity. See Note 12.

Determining residual values and useful economic lives of intangible fixed assets and property, plant & equipment

The Group depreciates property, plant & equipment and amortises intangible fixed assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management.

Judgement is applied by management when determining the residual values of property, plant & equipment and intangible fixed assets. When determining the residual value management aim to assess the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life.

The carrying amount of group intangible fixed assets at the reporting date was £78k (2020: £64k) and the carrying amount of group property, plant & equipment at the reporting date was £1,619k (2020: £1,484k).

Inventory provisions

In accordance with IAS 2 the Group regularly reviews its inventory to ensure it is carried at the lower of cost or net realisable value. The management constantly reviews slow moving and obsolete items arising from changes in the product mix demanded by customers, reductions in overall volumes, supplier failures and strategic resourcing decisions. Obsolescence provisions are calculated based on current market values and future sales of inventories. If this review identifies significant levels of obsolete inventory, this obsolescence is charged to the income statement as an impairment. The total inventory provision included in the balance sheet at the reporting date was £77k (2020: £12k).

Share-based payments

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Prior year restatements

In late 2022, the Financial Reporting Council (FRC) submitted a request for further information on the Group's Annual report and financial statements for the year ended 31 December 2021. The review conducted by the FRC was a limited scope review and was based solely on the Group's published Annual report and financial statements. It does not provide any assurance that the Annual report and financial statements are correct in all material respects.

Following completion of this review, the Directors in conjunction with external advisors and the Audit Committee, have concluded that the subdivision of ordinary shares should have been treated as an issue of shares without a corresponding change in resources and therefore a retrospective adjustment should have been processed as outlined in IAS 33. Furthermore, the treatment of non-vested shares, which have no performance conditions, should have been treated as options for the purpose of diluted EPS as per IAS 33.48.

As a result, the comparative basic and diluted EPS disclosures within the Consolidated income statement, and note 11, have been restated for 2021.

The FRC review also scrutinised the treatment of the gain on derecognition of the embedded derivatives, which was recognised in full through the income statement. The embedded derivatives related to conversion features attached to convertible interest on long-term borrowings from SFN Cleantech Investment Limited and Mr. Falih Nahab. Given SFN and Mr Nahab are also majority shareholders, upon review, the Directors have concluded that the waiver of conversion feature, and subsequent derecognition of embedded derivative, constituted a transaction with owners in their capacity as owners. As such an element of the gain should have been presented in equity rather than through the income statement.

As a result, the comparative Consolidated income statement, Statements of changes in equity, and all relevant notes have been restated for 2021. The value of reclassified gain is outlined in note 22.

4. Segmental information

The Group has adopted the requirements of IFRS8 'Operating segments'. The standard requires operating segments to be identified on the basis of internal financial information about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ('CODM') to allocate resources to the segments and to assess their performance. The CODM has been identified as the Board of Directors. The Board considers the business from a product/services perspective.

Based on an analysis of risks and returns, the Directors consider that the Group has only one identifiable operating segment: green energy. All property, plant and equipment is located in Germany.

Revenue from external customers

	2022	2021
	£'000	£'000
United Kingdom	39	149
Germany	1,232	913
Rest of Europe	768	1,705
Rest of the World	49	4
	2,088	2,771

Sales to GKN Hydrogen, Wilo SE and Kion Group represented 43.1% of the Group's revenue in 2022 (2021: Linsinger and Shell 42.5%).

The results as reviewed by the CODM for the only identified segment are as presented in the financial statements.

5. Loss for the year before tax

	2022	2021
		as restated
	£'000	£'000
Loss on ordinary activities before taxation is stated		
after charging		
Depreciation and amortisation	665	641
Hire of other assets - operating leases exempt from IFRS 16	79	84
Pension contributions	92	85
Foreign exchange losses	4,821	-
after crediting		
Gain in write-back of embedded derivatives	-	(320,910)
Amortisation of grants from public bodies	(475)	(408)
Foreign exchange gains	-	(4,720)

6. Auditors' remuneration

	2022	2021
	£'000	£'000
Audit services		
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	33	25
Fees payable to the Company's auditor and its associates for other services:		
Other services	3	9
	36	34

7. Staff numbers and costs

The monthly average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2022	2021
Development and construction	**62**	59
Administration and sales	**45**	45
	107	104

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	**5,716**	5,094
Share based payments	**700**	1,319
Social security costs	**1,096**	954
Other pension costs	**92**	85
	7,604	7,452

There are no staff, or direct wages specific to the Company. Share based payments charge to the non-executive and executive Directors of the Company is £111k (2021: £154k).

Share based payments

The Group has incurred an expense in respect of shares and share options during the year issued to employees as follows:

	2022	2021
	£'000	£'000
Share options	**(130)**	(64)
Share awards	**721**	1,318
Shares	**109**	65
	700	1,319

At 31 December 2022 the Group operated a single share option scheme ("SOS"). The SOS allows the Company to grant options to acquire shares to eligible employees. Options granted under the SOS are unapproved by HM Revenue & Customs. The maximum number of shares over which options may be granted under the SOS may not be greater than 15 per cent of the Company's issued share capital at the date of grant when added to options or awards granted in the previous 10 years. The exercise of options can take place at any time after the second anniversary of the date of grant. Options cannot, in any event, be exercised after the tenth anniversary of the date of grant.

All share-based employee remuneration will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle options. Share options and weighted average exercise price are as follows for the reporting periods presented:

		2022		2021
		Weighted average		Weighted average exercise
	Number	**exercise price**	Number	price
	000´s	**£**	000´s	£
Opening balance	**39,612**	**0.046**	46,197	0.048
Exercised	**-**	**0.000**	-	0.000
Forfeited	**(16,605)**	**(0.020)**	(6,585)	(0.042)
Closing balance	**23,007**	**0.070**	39,612	0.046

The fair values of options granted were determined using the Black-Scholes valuation model. Significant inputs into the calculation include a weighted average share price and exercise prices. Furthermore, the calculation takes into account future dividends of nil and volatility rates of between 50% and 98%, based on expected share price. Risk-free interest rate was determined between 0.640% and 5.125% for the various grants of options. It is assumed that options granted under the SOS have an average remaining life of 28 months *(2021:28 months)*.

The underlying expected volatility was determined by reference to the historical data, of the Company. No special features inherent to the options granted were incorporated into the measurement of fair value.

At 31 December 2022 the Group also operates a Key Person Stock Award Scheme whereby key staff members can build up an entitlement to target amounts of shares over a period of three to ten years, with the vesting condition that the employees are still employed at the time the entitlement vests. After three years amounts of shares subject to predetermined thresholds can be drawn annually. The remaining full entitlement can be drawn after ten years.

The fair values of awards granted were determined using the Black-Scholes valuation model. Significant inputs into the calculation include a weighted average share price and exercise prices. Furthermore, the calculation takes into account future dividends of nil and volatility rates of 50%, based on expected share price. Risk-free interest rate was determined between 0.021% and 1.313% for the various grants of awards.

The number of Ordinary 0.5p (2021: 1p) shares issued under the scheme in the year having vested was 2,425,000 (2021: 400,000). The total number of outstanding awards yet to vest at reporting date is 18.08m Ordinary 0.05p shares (2021: 21.05m Ordinary 0.5p shares). The weighted average of time to vest for outstanding awards is 4.0 years (2021: 5.2 years) and weighted average fair value of outstanding awards is £0.28 (2021: £0.32).

8. Tax

	2022	2021
	£'000	£'000
Corporation tax	**-**	-

The tax on the Group's loss before tax differs from the theoretical amounts that would arise using the weighted average tax rate applicable to losses of the Companies as follows:

	2022	2021
		as restated
	£'000	£'000
Tax reconciliation		
(Loss) / profit before tax	**(18,904)**	315,014
Expected tax (credit)/charge at 19% (2021: 19%)	**(3,592)**	59,853
Effects of different tax rates on foreign subsidiaries	**(578)**	(457)
Expenses not deductible for tax purposes	**690**	285
Income not taxable for tax purposes	**-**	(60,973)
Tax losses carried forward	**3,480**	1,292
Tax charge	**-**	-

9. Finance income

	2022	2021
	£'000	£'000
Interest	**-**	3
	-	3

10. Finance costs

	2022	2021
	£'000	£'000
Interest	**3,629**	1,498
Exchange loss/ (gain) on shareholder loans	**4,821**	(4,720)
	8,450	(3,222)

11. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary shares in issue during the year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares, share options and non-vested shares in the Key Person Share Award scheme. However, dilutive share options have not been included in the calculation of loss per share because they are non-dilutive for this period given their exercise is dependent upon a particular future event.

11. Loss per share

	2022		2021 - as restated	
	Basic	**Diluted**	Basic	Diluted
	£'000	**£'000**	£'000	£'000
Loss before embedded derivative	**(18,904)**	**(18,904)**	(5,896)	(5,896)
Fair value gain / (loss) on embedded derivatives	**-**	**-**	320,910	320,910
Gain / (Loss) attributable to equity holders of the Company	**(18,904)**	**(18,904)**	315,014	315,014
Weighted average number of Ordinary shares in issue (thousands)	**1,550,521**	**1,550,521**	1,541,111	1,541,111
Effect of dilutive potential Ordinary shares from convertible debt (thousands)	**-**	**18,075**	-	21,050
Adjusted weighted average number of Ordinary shares (thousands)	**1,550,521**	**1,568,596**	1,541,111	1,562,161
	Pence per share	**Pence per share**	Pence per share	Pence per share
Gain/(loss) per share (pence per share)	**(1.2)**	**(1.2)**	20.4	20.2
(Loss) per share before embedded derivatives (pence per share)	**(1.2)**	**(1.2)**	(0.4)	(0.4)

The comparative for 2021 has been restated as outlined in note 2.

12. Intangible assets - Group

	Goodwill	**Copyrights, trademarks and other intellectual property rights**	**Development costs**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 January 2021	**2,126**	**298**	**-**	**2,424**
Exchange differences	-	(18)	-	(18)
Additions	-	44	-	44
Transfers	-	-	-	-
Disposals	-	-	-	-
		-		
At 31 December 2021	**2,126**	**324**	**-**	**2,450**
At 1 January 2022	**2,126**	**324**	**-**	**2,450**
Exchange differences	-	18	-	18

Additions	-	102	-	102
Transfers	-	-	-	-
Disposals	-	-	-	-
		-		
At 31 December 2022	**2,126**	**444**	**-**	**2,570**
Accumulated Amortisation				
At 1 January 2021	**2,126**	**234**	**-**	**2,360**
Exchange differences	-	(14)	-	(14)
Charged in year	-	26	-	26
Disposals	-	-	-	-
At 31 December 2021	**2,126**	**246**	**-**	**2,372**
At 1 January 2022	**2,126**	**246**	**-**	**2,372**
Exchange differences	-	15	-	15
Charged in year	-	34	-	34
Disposals	-	-	-	-
At 31 December 2022	**2,126**	**295**	**-**	**2,421**
Net book value				
At 31 December 2022	**-**	**149**	**-**	**149**
At 31 December 2021	-	78	-	78
At 1 January 2021	-	64	-	64

Self-developed intangible assets in the amount of £102k (2021: £44k) are recognised in the reporting year, because the prerequisites of IAS 38 have been fulfilled.

Amortisation and impairment charges are recognised within administrative expenses.

As self-developed intangible assets are not material to the Group financial statements no impairment test has been performed.

There are no individually significant intangible assets.

The company does not hold any intangible assets.

13. Property, plant and equipment - Group

	Leasehold property improvements £'000	Technical equipment & machinery £'000	Office & other equipment £'000	Self-constructed plant & machinery £'000	Total £'000
Cost					
At 1 January 2021	680	1,519	851	151	3,201
Exchange differences	(40)	(91)	(51)	(9)	(191)
Additions	41	93	104	395	633
Transfers	-	183	-	(183)	-
Disposals	(2)	(73)	(78)	-	(153)
At 31 December 2021	**679**	**1,631**	**826**	**354**	**3,490**
At 1 January 2022	679	1,631	826	354	3,490
Exchange differences	37	90	45	20	192
Additions	177	92	304	206	779
Transfers	-	191	-	(191)	-
Disposals	-	-	-	-	-
At 31 December 2022	**893**	**2,004**	**1,175**	**389**	**4,461**

Accumulated Depreciation					
At 1 January 2021	452	850	415	-	1,717
Exchange differences	(28)	(55)	(30)	-	(113)
Charge for year	65	186	169	-	420
Disposals	(2)	(73)	(78)	-	(153)
At 31 December 2021	**487**	**908**	**476**	**-**	**1,871**
At 1 January 2022	487	908	476	-	1,871
Exchange differences	29	58	33	-	120
Charge for year	47	210	176	-	433
Disposals	-	-	-	-	-
At 31 December 2022	**563**	**1,176**	**685**	**-**	**2,424**
Net book value					
At 31 December 2022	**330**	**828**	**490**	**389**	**2,037**
At 31 December 2021	192	723	350	354	1,619
At 1 January 2021	228	669	436	151	1,484

The company does not hold any property, plant and equipment.

14. Right-of-use assets - Group

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2021	584	74	658
Additions	-	21	21
At 31 December 2021	**584**	**95**	**679**
At 1 January 2022	584	95	679
Additions	429	110	539
Disposals	-	(74)	(74)
At 31 December 2022	**1,013**	**131**	**1,144**
Accumulated Depreciation			
At 1 January 2021	334	39	373
Charge for year	167	28	195
At 31 December 2021	**501**	**67**	**568**
At 1 January 2022	501	67	568
Charge for year	169	29	198
Disposals	-	(74)	(74)
At 31 December 2022	**670**	**22**	**692**
Net book value			
At 31 December 2022	**343**	**109**	**452**
At 31 December 2021	83	27	111
At 1 January 2021	250	35	285

The company does not hold any right-of-use assets.

15. Fixed asset investments

	2022	2021
Shares in associate undertaking - Group	**£'000**	£'000
Cost		
At beginning of year	**18**	18
Additions	**-**	-
At end of year	**18**	18
Impairment		
At beginning of year	**7**	**7**
Charge for the year	**11**	**-**
At end of year	**18**	**7**
Net book value		
At end of year	**-**	**11**

	2022	2021
Company	**£'000**	£'000
Shares in Group undertaking		
Cost		
At beginning of year	**98,401**	89,524
Additions	**10,586**	8,877
At end of year	**108,987**	98,401
Impairment		
At beginning of year	**98,401**	89,524
Charge for the year	**10,586**	8,877
At end of year	**108,987**	98,401
Net book value		
At end of year	**-**	-

On 31 October 2006 the Company acquired the entire share capital of Proton Motor Fuel Cell GmbH, a company incorporated in Germany. The cost of investment comprises shares issued to acquire the Company valued at the listing price of 80p per share, together with costs relating to the acquisition and subsequent capital contributions made to the subsidiary.

Following a review of the Company's assets the Board has concluded that there are sufficient grounds for its investment in the subsidiary undertakings to be subject to an impairment review under IAS 36. In arriving at the charge in the year of £10,586k (2021: £8,877k) the Board has determined the recoverable amount on a value in use basis using a discounted cash flow model.

16. Inventories

	Group		**Company**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Work in progress	**211**	157	**-**	-
Consumable stores	**-**	-	**-**	-
Raw materials	**2,091**	1,678	**-**	-
	2,302	1,835	**-**	-

The cost of goods sold during 2022 is £2,089k (2021: £2,346k). It includes £106k (2021: £77k) impairment loss for slow moving inventories and goods anticipated to be sold at a loss.

17. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade receivables	**401**	811	**-**	179
Other receivables	**425**	479	**-**	33
Amounts due from Group companies	**-**	-	**225**	126
Prepayments and accrued income	**120**	334	**29**	27
	946	1,624	**254**	366

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values.

In addition some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Group	
	2022	2021
	£'000	£'000
Not more than three months (all denominated in Euros)	**-**	-

The Directors consider that trade and other receivables which are not past due or impaired show no risk of requiring impairment.

18. Cash and cash equivalents

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**2,720**	2,152	**9**	20
	2,720	2,152	**9**	20

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair values.

19. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade payables	**441**	505	**-**	-
Other payables	**3,455**	3,130	**13**	203
Amounts due to Group companies	**-**	-	**468**	259
Accruals and deferred income	**761**	863	**270**	318
	4,657	4,498	**751**	780

The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

20. Lease debt

The company implemented IFRS 16 'Leases' as of 1 January 2021.

A summary of the lease debt maturity is shown below:

Group

	Principal	Interest	Total 2022	2021
	£'000	**£'000**	**£'000**	£'000
Less than 1 year	237	(22)	**215**	111
Between 2 and 5 years	266	(14)	**252**	8
Over 5 years	-	-	**-**	-
	503	**(36)**	**467**	119

The carrying value of assets held under lease within right-of-use assets is £452k (2021: £111k). The balances relate to the Benzstrasse 7, Puchheim, Germany property lease and a number of vehicle leases held in Proton Motor Fuel Cell GmbH.

21. Borrowings

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Bank overdraft	**466**	517	**-**	-
Loans				
Current	**-**	-	**-**	-
Non-current	**103,007**	83,956	**103,007**	83,956
Current and total borrowings	**103,473**	84,473	**103,007**	83,956

Included within non-current borrowings as at year end are amounts of £38,595k (2021: £30,320k) due to SFN Cleantech Investment Limited which includes a principal loan of €29.7m (2021: €23.6m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+3% per annum (2021: 3%).

Also included within non-current borrowings as at year end are amounts of £2,420k (2021: £2,235k) due to SFN Cleantech Investment Limited which includes a principal loan of €2.3m (2021: €2.3m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+2% per annum. Interest is to be rolled up and repaid at the termination of the loan agreement.

Further included within non-current borrowings as at year end are amounts of £61,992k (2021: £51,401) due to Mr Falih Nahab, a brother of Dr Faiz Nahab, a director of the Company. This balance includes principal loan advances of €54.7m (2021: €48.7m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+3% per annum (2021: 3%). Subsequent to the year end it was agreed to extend this loan facility by a further €14.5m, from €56.9m to €74.1m.

The loans are all secured on the assets of the Group.

The redemption date of all loans is 31 December 2025. As such the loans are held as non-current borrowings.

The debt has been measured at amortised cost.

22. Embedded derivatives on convertible interest

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Embedded derivatives on convertible interest	**-**	-	**-**	-

At the end of 2020, embedded derivatives with a value of £609.2m relating to conversion features attached to convertible interest on long-term borrowings were held in the statement of financial position. Due to waivers signed by SFN Cleantech Investment Limited and Mr. Falih Nahab on the convertible interest, the embedded derivative was no longer applicable at the end of 2021 and thus was derecognised.

As noted in note 2, the derecognition has been restated in the comparative Consolidated income statement and Statements of changes in equity. Having previously been recognised in full through the income statement the Directors have concluded that an element of the gain should have been presented in equity as the transaction constituted a transaction with owners in their capacity as owners. In line with IFRS 13, the embedded derivative was revalued to fair value as at the date of waiver using the same methodology as the valuation at 31 December 2020, resulting in a £320.9m gain in the income statement. The remaining £288.3m gain on derecognition was subsequently recognised in equity, as shown in the Consolidated and Company statement of changes in equity.

23. Deferred income tax - Group

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of £30,482k (2021: £25,690k) in respect of losses amounting to £14,735k (2021: £10,291k) and €106,285k (2021: €95,053k).

24. Share capital

The share capital of Proton Motor Power Systems plc consists of fully paid Ordinary shares with a par value of £0.005 (2021: £0.005) and Deferred Ordinary shares with a par value of £0.01 (2021: £0.01). All Ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Proton Motor Power Systems plc. Deferred Ordinary shares have no rights other than the repayment of capital in the event of a winding up. None of the parent's shares are held by any company in the Group.

During 2022, 712,127 Ordinary shares of 0.5p each were issued each at a prices of 14.5p and 9.13p per share in settlement of Directors' annual fees for the period ended 31 December 2022.

The number of shares in issue at the balance sheet date is 1,552,017,675 Ordinary shares of 0.5p each (2021: 1,548,740,548 Ordinary shares of 0.5p each) and 327,963,452 (2021: 327,963,452) Deferred Ordinary shares of 1p each (2021: 1p each).

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium, less registration and other regulatory fees and net of related tax benefits.

	2022				2021			
	Ordinary shares No.		**Deferred ordinary shares No.**		Ordinary shares No.		Deferred ordinary shares No.	
	´000	**£'000**	**'000**	**£'000**	'000	£'000	'000	£'000
Shares authorised, issued and fully paid								
At the beginning of the year	**1,548,740**	**7,743**	**327,963**	**3,280**	731,828	7,318	327,963	3,280
Share issue	**852**	**4**	**-**	**-**	142	1	-	-
Share issue - under share award/option schemes	**2,425**	**13**	**-**	**-**	400	4	-	-
Share issue - conversion on loan interest	**-**	**-**	**-**	**-**	42,000	420	-	-
Share subdivision	**-**	**-**	**-**	**-**	774,370	-	-	-
	1,552,017	**7,760**	**327,963**	**3,280**	1,548,740	7,743	327,963	3,280

25. Commitments

Neither the Group nor the Company had any capital commitments at the end of the financial year, for which no provision has been made. In addition to the lease debt which is recorded on the Group's balance sheet as per Note 20, there are also various short term and low value leases which are accounted for as operating leases. Total future lease payments under non-cancellable operating leases are as follows:

	2022		2021	
	Land and buildings	**Other**	Land and buildings	Other
Group	**£'000**	**£'000**	£'000	£'000
Operating leases payable:				
Within one year	**-**	**346**	11	229
In the second to fifth years inclusive	**-**	**2**	-	17
After more than five years	**-**	**-**	-	-
	-	**348**	11	246

Post year end a fifteen-year lease agreement with has been signed for modern premises permitting for enhanced and efficient production throughflows to secure space to substantially expand its manufacturing, testing and development capacity. Lease terms include a monthly cost of £107k following a 10 month rent-free period. The rights and obligations of the lease agreement transfer to Proton in April 2023 at which time the property will be recognised in line with IFRS 16.

26. Related party transactions

During the year ended 31 December 2022 the Group and Company entered into the following related party transactions:

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
(Expenses) / Income				
SFN Cleantech Investment Limited effective loan interest	**(1,200)**	(452)	**(1,200)**	(452)
Falih Nahab effective loan interest	**(2,314)**	(993)	**(2,314)**	(993)
SFN Cleantech Investment Limited other loan interest	**(60)**	(30)	**(60)**	(30)
SFN Cleantech Investment Limited credit arising on convertible interest waiver	**-**	315,703	**-**	315,703
Falih Nahab credit arising on convertible interest waiver	**-**	293,498	**-**	293,498

At 31 December 2022 the Group and Company had the following balances with related parties:

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Amounts due (to) / from				
SFN Cleantech Investment Limited borrowings (see Note 21)	**(38,595)**	(30,320)	**(38,595)**	(30,320)
SFN Cleantech Investment Limited bank guarantee	**(2,039)**	(1,933)	**-**	-
SFN Cleantech Investment Limited loans to SPower GmbH	**(2,420)**	(2,235)	**-**	-
Falih Nahab borrowings (See Note 21)	**(61,992)**	(51,401)	**(61,992)**	(51,401)

Due to the waivers of convertible interest by SFN Cleantech Investment Limited and Mr. Falih Nahab the embedded derivative on convertible interest is no longer applicable at the end of 2021 and thus £609.2m was reversed in the income statement and equity. During the year the Company made capital contributions to Proton Motor Fuel Cells GmbH of £10,585,000 (2021: £8,877,000) and to SPower GmbH of £nil (2021: £nil).

27. Risk management objectives and policies

The Group's activities expose it to a variety of financial risks:

- foreign exchange risk (note 28);
- credit risk (note 29); and
- liquidity risk (note 30).

The Group's overall risk management programme focuses on the unpredictability of cash flows from customers and seeks to minimise potential adverse effects on the Group's financial performance. The Board has established an overall treasury policy and has approved procedures and authority levels within which the treasury function must operate. The Directors conduct a treasury review at least monthly and the Board receives regular reports covering treasury activities. Treasury policy is to manage risks within an agreed framework whilst not taking speculative positions.

The Group's risk management is co-ordinated at Proton Motor Fuel Cell GmbH in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

28. Foreign currency sensitivity

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Sterling.

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of Euro business.

Euro denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	Year ended 31 December 2022		Year ended 31 December 2021	
	€'000	**£'000**	€'000	£'000
Financial assets	**4,791**	**4,248**	4,835	4,063
Financial liabilities	**(123,404)**	**(109,410)**	(107,161)	(90,052)
Short-term exposure	**(118,613)**	**(105,162)**	(102,326)	(85,989)

The following table illustrates the sensitivity of the net result for the year and equity with regard to the parent Company's financial assets and financial liabilities and the Sterling/Euro exchange rate. It assumes a +/- 9.11% change of the Sterling/Euro exchange rate for the year ended 31 December 2022 (2021: 7.97%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the parent Company's foreign currency financial instruments held at each balance sheet date.

If the Euro had strengthened against Sterling by 9.11% (2021: 7.97%) then this would have had the following impact:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Net result for the year	**(9,580)**	(6,853)
Equity	**(9,580)**	(6,853)

If the Euro had weakened against Sterling by 9.11% (2021: 7.97%) then this would have had the following impact:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Net result for the year	**9,580**	6,853
Equity	**9,580**	6,853

Exposures to foreign exchange rates vary during the year depending on the value of Euro denominated loans. Potential foreign exchange gains and losses are largely accounting entries given the difference in loan denomination and presentational currency and therefore do not result in cash gains and losses. Nonetheless, the analysis above is considered to be representative of Group's exposure to currency risk.

29. Credit risk analysis

Credit risk is managed on a Group basis. Credit risk arises from cash and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The Directors do not consider there to be any significant concentrations of credit risk.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**2,720**	2,152	**9**	20
Trade and other receivables	**946**	1,624	**29**	238
Short-term exposure	**3,666**	3,776	**38**	258

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

30. Liquidity risk analysis

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Group maintains cash to meet its liquidity requirements.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

As at 31 December 2022, the Group's liabilities have contractual maturities which are summarised below:

	Within 6 months	**6 to 12 months**	**1 to 5 years**
	£'000	**£'000**	**£'000**
Trade payables	441	-	-
Other short term financial liabilities	4,216	-	-
Lease debt	-	215	252
Borrowings	-	466	103,007

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Within 6 months	6 to 12 months	1 to 5 years
	£'000	£'000	£'000
Trade payables	505	-	-
Other short term financial liabilities	3,993	-	-
Lease debt	-	111	8
Borrowings	-	517	83,596

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date. Borrowings and embedded derivatives on convertible loans have been combined as they relate to the same instruments. Contractual maturities have been assumed based on the assumption that the lender does not convert the loans into equity before the repayment date.

31. Financial instruments

The assets of the Group and Company are categorised as follows:

As at 31 December 2022	**Group**			**Company**		
	Loans and receivables	**Non-financial assets / financial assets not in scope of IAS 39**	**Total**	**Loans and receivables**	**Non-financial assets / financial assets not in scope of IAS 39**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Intangible assets	-	149	149	-	-	-
Property, plant and equipment	-	2,037	2,037	-	-	-
Right-of-use assets	-	452	452	-	-	-
Fixed asset investments	-	-	-	-	-	-
Inventories	-	2,302	2,302	-	-	-
Trade and other receivables	946	-	946	254	-	254
Cash and cash equivalents	2,720	-	2,720	9	-	9

	3,666	**4,940**	**8,606**	**263**	**-**	**263**

As at 31 December 2021	Group			Company		
	Loans and receivables	Non-financial assets / financial assets not in scope of IAS 39	Total	Loans and receivables	Non-financial assets / financial assets not in scope of IAS 39	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	-	78	78	-	-	-
Property, plant and equipment	-	1,619	1,619	-	-	-
Right-of-use assets	-	111	111	-	-	-
Investment in subsidiary	-	11	11	-	-	-
Inventories	-	1,835	1,835	-	-	-
Trade and other receivables	1,624	-	1,624	366	-	366
Cash and cash equivalents	2,152	-	2,152	20	-	20
	3,776	3,654	7,430	386	-	386

The liabilities of the Group and Company are categorised as follows:

As at 31 December 2022	**Group**				**Company**			
	Financial liabilities at amortised cost	**Financial liabilities valued at fair value through the income statement**	**Liabilities not within the scope of IAS 39**	**Total**	**Financial liabilities at amortised cost**	**Financial liabilities valued at fair value through the income statement**	**Liabilities not within the scope of IAS 39**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	4,657	-	-	4,657	751	-	-	751
Lease debt	467	-	-	467	-	-	-	-
Borrowings	103,473	-	-	103,473	103,007	-	-	103,007
		-						
	108,597	**-**	**-**	**108,597**	**103,758**	**-**	**-**	**103,758**

As at 31 December 2021	**Group**				**Company**			
	Financial liabilities at amortised cost	Financial liabilities valued at fair value through the income statement	Liabilities not within the scope of IAS 39	Total	Financial liabilities at amortised cost	Financial liabilities valued at fair value through the income statement	Liabilities not within the scope of IAS 39	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	4,498	-	-	4,498	780	-	-	780
Lease debt	119	-	-	119	-	-	-	-
Borrowings	84,473	-	-	84,473	83,596	-	-	83,596
		-						
	89,090	**-**	**-**	**89,090**	**84,736**	**-**	**-**	**84,736**

Fair values

Management believe that the fair value of trade and other payables and borrowings is approximately equal to book value.

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability.

32. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, provide returns for shareholders and benefits to other stakeholders and to maintain a structure to optimise the cost of capital. The Group defines capital as debt and equity. In order to maintain or adjust the capital structure, the Group may consider: the issue or sale of shares or the sale of assets to reduce debt.

The Group routinely monitors its capital and liquidity requirements through leverage ratios consistent with industry-wide borrowing standards. There are no externally imposed capital requirements during the period covered by the financial statements.

	Group		**Company**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Total liabilities	**108,597**	89,090	**103,758**	84,736
Less: cash and cash equivalents	**(2,720)**	(2,152)	**(9)**	(20)
Adjusted net debt	**105,877**	86,938	**103,749**	84,716

33. Ultimate controlling party

The Directors consider SFN Cleantech Investment Ltd to be the Ultimate Controlling Party at the date of approval of the financial statements. Dr. Faiz Nahab, Chief Executive, is connected to SFN Cleantech Investment Ltd.

END

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